

BITOU
MUNICIPALITY



Unaudited

FINANCIAL STATEMENTS

30 JUNE 2018

BITOU LOCAL MUNICIPALITY

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BITOU MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

GENERAL INFORMATION

NATURE OF BUSINESS

Bitou Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)
This in effect means that the municipality provide services like water, electricity, sewerage and sanitation to the community.
Bitou Municipality also serves as an agent to Provincial Government in providing Housing to the community.

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Bitou Municipality includes the following areas:

*Plettenberg Bay
Natures Valley
Wittedrift
Keurbooms
Kranshoek
Harkerville
Kwanokuthula*

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor	<i>Councillor M.P. Lobese</i>
Deputy Executive Mayor	<i>Councillor S.E. Gcabayi</i>
Speaker	<i>Councillor E.V Wildeman</i>
Mayoral Committee Member	<i>Councillor M. M. Mbali</i>
Mayoral Committee Member	<i>Councillor L. M. Seyisi</i>

ORDINARY COUNCILLORS

Councillor	<i>Councillor J Kam Kam</i>
Councillor	<i>Councillor A.R. Olivier</i>
Councillor	<i>Councillor W.J. Nel</i>
Councillor	<i>Councillor N.C Jacob</i>
Councillor	<i>Councillor N.S. Ndayi</i>
Councillor	<i>Councillor AS Windvogel</i>
Councillor	<i>Councillor D Swarts</i>
Councillor	<i>Councillor X Matyila</i>

MUNICIPAL MANAGER

Mr TC Ndlovu

CHIEF FINANCIAL OFFICER

Mr BV Mkhafa

REGISTERED OFFICE

*Sewell Street, Plettenberg Bay, 6600
Private Bag X 1002. Plettenberg Bay, 6600*

AUDITORS

The Auditor General South Africa

PRINCIPLE BANKERS

Nedbank, Plettenberg Bay

ATTORNEYS

Mosdall, Pama & Cox
Nandi Bulabula
Hutchinson

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

2017 / 2018

MEMBERS OF THE BITOU LOCAL MUNICIPALITY

WARD

- 1 Wittedrif/Kurland/Natures Valley/Keurbooms/Cowie/Uplands
- 2 Plettenberg Bay South & North
- 3 Qolweni/Bossiesgif/Pinetrees/Portion of New Horizons
- 4 Portion of New Horizons/Portion of KwaNokuthula
- 5 Kwanokuthula
- 6 Kwanokuthula
- 7 Kranshoek/Harkerville/portion of KwaNokuthula

COUNCILLOR

Councillor J Kam Kam
Councillor D Swarts
Councillor X Matyila
Councillor AS Windvogel
Councillor M M Mbali
Councillor S E Gcabayi
Councillor A R Olivier

PROPORTIONAL

Councillor P.M Lobese
Councillor E.V Wildeman
Councillor M Seyisi
Councillor N.C Jacob
Councillor W.J Nel
Councillor N.S Ndayi

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements for the year ended 30 June 2018, which are set out on pages 1 to 106 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with Generally Recognized Accounting Practice (GRAP).

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year ended at 30 June 2018 and is satisfied that the Municipality can continue in operational existence as a going concern for the foreseeable future.

The external auditors are responsible for reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.


Mr T Sompani
Acting Municipal Manager

29 November 2018
Date

BITOU LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

	Notes	2018 R	(Restated) 2017 R
NET ASSETS AND LIABILITIES			
Net Assets		913,576,520	850,734,395
Capital Replacement Reserve	2	48,854,892	83,000,000
Accumulated Surplus		864,721,628	767,734,395
Non-Current Liabilities		264,863,620	251,361,948
Long-term Borrowings	3	140,690,864	129,987,984
Employee benefits	4	99,937,286	97,630,685
Non Current Provision	5	24,235,470	23,743,279
Current Liabilities		131,755,100	118,260,344
Consumer Deposits	6	7,996,388	6,291,666
Current Employee benefits	7	25,564,347	22,681,908
Provisions	8	600,000	-
Trade and Other Payables from Exchange Transactions	9	74,569,535	67,719,359
Unspent Transfers and Subsidies	10	2,120,348	2,461,793
Unspent Public Contributions	11	-	272,196
Operating Lease Liability	22	361,247	297,004
Current Portion of Long-term Liabilities	3	20,543,234	18,536,418
Total Net Assets and Liabilities		1,310,195,240	1,220,356,688
ASSETS			
Non-Current Assets		1,089,758,703	1,010,246,966
Property, Plant and Equipment	13	1,056,056,051	948,329,212
Investment Property	14	26,619,617	55,452,825
Intangible Assets	15	186,562	316,123
Heritage Assets	16	35,193	35,193
Investments	17	6,852,559	6,102,365
Long-Term Receivables	18	8,720	11,248
Current Assets		220,436,537	210,109,722
Inventory	19	10,082,914	7,818,834
Trade and Other Receivables from Exchange Transactions	20	33,575,488	34,286,137
Receivables from non-exchange transactions	21	25,903,907	22,893,791
Unpaid Conditional Government Grants and Receipts	10	-	14,480,577
Operating Lease Asset	22	310,852	273,230
Taxes	12	9,746,742	4,297,914
Current Portion of Long-term Receivables	18	3,442	3,921
Cash and Cash Equivalents	23	140,813,192	126,055,319
Total Assets		1,310,195,240	1,220,356,688

BITOU LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

		2018	2017
	Notes	(Actual) R	(Restated) R
REVENUE			
Revenue from Non-exchange Transactions		362,131,966	324,866,123
Taxation Revenue		121,810,210	112,519,143
Property taxes	24	121,810,210	112,519,143
Transfer Revenue		178,620,260	182,411,857
Government Grants and Subsidies-capital	25	51,016,531	81,804,891
Government Grants and Subsidies-operational		127,603,728	100,363,103
Public Contributions and Donations	26	-	149,111
Contributed Property, Plant and Equipment		-	94,753
Other Revenue		61,701,496	29,935,122
Fines, Penalties and Forfeits		52,036,131	29,935,122
Fines written off-recovered		7,702,196	-
Interest Earned - outstanding receivables		1,963,169	-
Revenue from Exchange Transactions		309,420,040	282,863,867
Service Charges	27	278,311,680	251,670,547
Rental from Fixed Assets		1,102,477	1,683,224
Interest Earned - external investments		12,303,972	10,366,703
Interest Earned - outstanding receivables		6,025,214	6,816,522
Agency Services		1,664,737	1,518,035
Operational Revenue	28	2,943,380	1,476,204
Sales of Goods and Rendering of Services	29	6,496,267	9,121,668
Licences and Permits		572,313	210,965
Total Revenue		671,552,006	607,729,990
EXPENDITURE			
Employee related costs	30	197,932,052	194,085,751
Remuneration of Councillors	31	6,038,330	5,359,837
Bad Debts Written-off	33	31,341,357	6,016,213
Depreciation and Amortisation	34	30,600,210	24,948,555
Inventory Consumed		21,493,294	13,802,345
Finance Costs	36	17,657,832	17,168,561
Bulk Purchases	37	107,091,556	104,253,188
Contracted Services	38	68,261,801	72,411,339
Transfers and Subsidies		5,775,956	8,818,667
Operating Leases		4,043,104	2,863,547
Operational Cost	39	51,961,755	38,471,385
Total Expenditure		542,197,247	488,199,389
Operating Surplus		129,354,758	119,530,601
Inventories:(Write-down)/ Reversals to Net Realisable Value		(2,919,744)	(826,148)
(Impairment Loss)/Reversal of Impairment Loss on Receivables	32	63,379,098	31,491,196
(Impairment Loss)/Reversal of Impairment Loss on Fixed Assets	35	-	187,896
(Gains/Loss) on Sale of Fixed Assets		3,790,681	1,324,764
Water Losses		2,262,599	790,459
NET SURPLUS FOR THE YEAR		62,842,124	86,562,434

BITOU LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018

	Note	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
		R	R	R
2016				
Balance at 1 JULY 2016		65,000,000	700,612,173	765,612,173
Correction of error		-	(5,645,212)	(5,645,212)
2017				
Restated Balance at 1 JULY 2017	40.02	65,000,000	694,966,961	759,966,961
Net Surplus for the year		-	86,562,434	86,562,434
Correction of error			4,205,000	4,205,000
Transfer from CRR -capital expenditure		(24,592,417)	24,592,417	-
Transfer to CRR		42,592,417	(42,592,417)	-
Restated Balance at 30 JUNE 2017	40.02	83,000,000	767,734,395	850,734,395
2018				
Net Surplus for the year		-	62,842,124	62,842,124
Transfer from CRR-capital expenditure		(34,145,108)	34,145,108	(0)
Transfer to CRR				-
Balance at 30 JUNE 2018		48,854,892	864,721,628	913,576,519

BITOU LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Notes	30 JUNE 2018 R	30 JUNE 2017 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		370,142,098	365,270,421
Government		192,487,194	159,274,162
Interest		20,292,356	17,183,225
Payments			
Suppliers and employees		(451,110,998)	(406,992,199)
Finance charges	36	(17,657,832)	(17,168,561)
Cash generated by operations	42	114,152,819	117,567,048
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	13	(113,062,177)	(120,537,591)
Purchase of Intangible Assets		-	(37,168)
Proceeds on Disposal of Assets		-	801,409
Decrease in non-current receivables		3,007	3,407
Increase in non-current Investments		(750,194)	(750,193)
Increase in current Investments			
Net Cash from Investing Activities		(113,809,364)	(120,520,136)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(18,163,856)	(17,263,328)
New loans raised		30,873,552	24,998,191
Increase in Consumer Deposits		1,704,722	310,533
Net Cash from Financing Activities		14,414,417	8,045,396
NET INCREASE IN CASH AND CASH EQUIVALENTS		14,757,873	5,092,309
Cash and Cash Equivalents at the beginning of the year		126,055,319	120,963,009
Cash and Cash Equivalents at the end of the year	43	140,813,192	126,055,319
NET INCREASE IN CASH AND CASH EQUIVALENTS		14,757,873	5,092,309

BITOU MUNICIPALITY
BUDGET COMPARISONS FOR THE YEAR ENDED 30 JUNE 2018

BITOU LOCAL MUNICIPALITY

		ORIGINAL		FINAL		ACTUAL
		BUDGET	ADJUSTMENTS	BUDGET	ACTUAL	VS
Ref.	R	R	R	R	R	BUDGET
						R
STATEMENT OF FINANCIAL POSITION						
Total current assets	C1	248,904,000	(67,809,000)	181,095,000	220,436,537	39,341,537
Total non- current assets	C2	1,133,506,000	-	1,133,506,000	1,089,758,703	(43,747,297)
Total current liabilities	C3	101,780,000	15,000,000	116,780,000	131,755,100	14,975,100
Total non- current liabilities	C4	281,520,000	-	281,520,000	264,863,620	(16,656,380)
Total Net Assets		999,109,000	-82,809,000	916,301,000	913,576,520	(2,724,480)
STATEMENT OF FINANCIAL PERFORMANCE						
<i>Grap Reporting Framework</i>						
Revenue						
Property taxes		127,143,000	(4,608,333)	122,534,667	121,810,210	(724,457)
Government Grants and Subsidies-operational		130,876,000	1,066,781	131,942,781	127,603,728	(4,339,053)
Public Contributions and Donations			-	-	0	-
Fines, Penalties and Forfeits	C5	22,897,000	127,470	23,024,470	52,036,131	29,011,661
Service Charges	C6	301,599,000	(5,209,825)	296,389,175	278,311,680	(18,077,495)
Rental from Fixed Assets	C7	1,500,000	8,533,600	10,033,600	1,102,477	(8,931,123)
Interest Earned - external investments		8,502,000	(440)	8,501,560	12,303,972	3,802,412
Interest Earned - outstanding receivables		5,272,000	162,941	5,434,941	7,988,384	2,553,443
Fines written off-recovered	C8		-	-	7,702,196	7,702,196
Interest,Dividends and Rent on Land			-	-	0	-
Agency Services		1,319,000	100	1,319,100	1,664,737	345,637
Operational Revenue			1,907,420	1,907,420	2,943,380	1,035,960
Sales of Goods and Rendering of Services	C9	14,137,000	(7,117,709)	7,019,291	6,496,267	(523,024)
Contributed Assets			-	-	0	-
Licences and Permits		6,264,000	50,200	6,314,200	572,313	(5,741,887)
Total Revenue		619,509,000	(5,087,795)	614,421,205	620,535,474	6,114,269
Expenditure						
Employee related costs	C10	209,949,000	1,914,540	211,863,540	197,932,052	(13,931,488)
Remuneration of Councillors		5,747,000	396,107	6,143,107	6,038,330	(104,777)
Bad Debts Written-off	C11		-	-	31,341,357	31,341,357
Operational Cost	C12	150,116,000	(86,465,327)	63,650,673	51,961,755	(11,688,918)
Depreciation and Amortisation		27,175,000	(345)	27,174,655	30,600,210	3,425,555
Finance Costs		16,348,000	(776,007)	15,571,993	17,657,832	2,085,839
Bulk Purchases		104,120,000	200	104,120,200	107,091,556	2,971,356
Contracted services	C13	25,074,000	66,236,078	91,310,078	68,261,801	(23,048,277)
Transfers and Subsidies		3,401,000	2,432,000	5,833,000	5,775,956	(57,044)
Inventory Consumed	C14	4,494,000	17,159,616	21,653,616	21,493,294	(160,322)
Operating Leases		4,080,000	212,179	4,292,179	4,043,104	(249,075)
Total Expenditure		550,504,000	1,109,041	551,613,041	542,197,247	(9,415,794)
Operating Surplus		69,005,000	-6,196,836	62,808,164	78,338,227	15,530,063
Inventories:(Write-down)/ Reversals to Net Realisable Value (Impairment Loss)/Reversal of Impairment Loss on Receivables		35,100		35,100	(2,919,744)	(2,954,844)
Impairment Loss on Receivables	C15	21,437,000	88	21,437,088	63,379,098	41,942,010

BITOU MUNICIPALITY
BUDGET COMPARISONS FOR THE YEAR ENDED 30 JUNE 2018

		ORIGINAL		FINAL		ACTUAL
	Ref.	BUDGET	ADJUSTMENTS	BUDGET	ACTUAL	VS
		R	R	R	R	BUDGET
						R
(Impairment Loss)/Reversal of Impairment Loss on Fixed Assets		-	-	-	-	-
(Gains/Loss) on Sale of Fixed Assets		(752,000)	80	(751,920)	3,790,681	4,542,601
Water Losses					2,262,599	2,262,599
		48,284,900	(6,197,004)	42,087,896	11,825,593	(30,262,303)
Transfers recognised-operational		45,480,000	4,720,000	50,200,000	51,016,531	816,531
Net Surplus for the year		93,764,900	(1,477,004)	92,287,896	62,842,124	(29,445,772)

CASH FLOW STATEMENT

Net Cash from Operating Activities	C16	105,610,000	(3,747,000)	101,863,000	114,152,819	12,289,819
Net Cash from Investing Activities	C17	(111,864,000)	(10,131,000)	(121,995,000)	(113,809,364)	8,185,636
Net Cash from Financing Activities	C18	26,867,000	(5,664,000)	21,203,000	14,414,417	(6,788,583)
Net increase/(decrease)in cash and cash equivalents		20,614,000	(19,542,000)	1,071,000	14,757,873	13,686,873

OPERATING EXPENDITURE BY VOTE

Community Services		155,323,000	4,802,000	160,125,000	200,618,163	40,493,163
Corporate Services		38,208,000	(658,000)	37,550,000	30,919,797	(6,630,203)
Council		6,520,000	396,000	6,916,000	6,536,140	(379,860)
Financial Services		70,396,000	(1,470,000)	68,926,000	58,896,357	(10,029,643)
Strategic Services		29,456,000	(4,124,000)	25,332,000	27,549,422	2,217,422
Office of the Municipal Manager		30,364,000	-	30,364,000	22,476,245	(7,887,755)
Municipal Services and Infrastructure Development		241,673,000	2,200,000	243,873,000	258,731,003	14,858,003
		571,940,000	1,146,000	573,086,000	605,727,127	32,641,127

CAPITAL EXPENDITURE BY VOTE

Community Services		16,800,000	1,096,673	17,896,673	18,315,072	(418,399)
Corporate Services		270,000	960,597	1,230,597	167,988	1,062,609
Council		0	-	-	0	-
Financial Services		3,000,000	(960,000)	2,040,000	2,398,126	(358,126)
Municipal Services and Infrastructure Development	C19	89,914,000	8,990,730	98,904,730	91,792,155	7,112,575
Strategic Services		1,880,000	44,000	1,924,000	388,780	1,535,220
		111,864,000	10,132,000	121,996,000	113,062,121	8,933,879

Refer to note 58 for explanations of material variances between the original budget and final budget.

Refer to note 59 for explanations of material variances between actual amounts and the final budget.

Material variances are considered as variances larger than R6 million

BITOU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

1.3. GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

BITOU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.5 AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts is disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2017 to 30 June 2018. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included the Notes to the Financial Statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

BITOU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2017/18 financial year.

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 20 (Original – June 2011)	<p>Related Party Disclosure</p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	1 APRIL 2019
GRAP 32 (Original – Aug 2013)	<p>Service Concession Arrangements: Grantor</p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	1 APRIL 2019
IGRAP 17	<p><u>Service Concessions Arrangements Where a Grantor Controls a Significant Residual Interest in a Asset</u></p> <p>This interpretation of the Standards provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease</p> <p>No such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 108 (Original – Sept 2013)	<p><u>Accounting by Principles and Agents</u></p> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	1 APRIL 2019

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GRAP 109	Accounting by Principles and Agents The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment	1 APRIL 2019
GRAP 110	Living and non-living resources The objective of this Standard is prescribing the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources. No significant impact expected as no such transactions or events are expected in the foreseeable future	1 APRIL 2019

These standards, amendments and interpretations is not expected to have a significant impact on the Municipality once implemented.

1.9. RESERVES

1.9.1 *Capital Replacement Reserve (CRR)*

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

1.10. LEASES

1.10.1 *Municipality as Lessee*

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments,

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which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

The same accounting principles will be applied with the recognition of unspent Public Contributions.

1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant as set out in note 1.11 or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

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1.13. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

1.14. EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

1.14.1 Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – "Employee Benefits" (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split

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between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.14.2 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.14.3 Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

1.14.4 Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

1.14.5 Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined

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benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

1.14.6 Other Short-term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.15. BORROWING COSTS

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

The amount of borrowing costs that the Municipality capitalises during a period does not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.16. PROPERTY, PLANT AND EQUIPMENT

1.16.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.16.2 *Subsequent Measurement – Cost Model*

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Apart from the Landfill site, Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

1.16.3 *Depreciation and Impairment*

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

Asset Class & Type	Expected Useful Life
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Infrastructure

Electricity reticulation	8-101
Refuse sites	5- 100
Roads, Pavements, Bridge,	6-100
Sewerage Purification	9-100
Water Reservoirs & reticulation	8-100

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Community Assets

Cemeteries	10-100
Community Halls	5-100
Libraries	5-100
Sport grounds	5-100
Parks	5-100

Land and Buildings

Buildings	8-100
Land	Indefinite

Other Assets

Office Equipment	3-30
Other Land & Buildings	10-15
Other Motor Vehicles	4-30
Plant and Equipment	5-30
Security Measures	5-30
Specialised Vehicles	8-30

Leased Assets

Leased Assets	3-6
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Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The entity assesses at each reporting date whether there is any indication that the entity's expectations about the residual value and the useful life of an asset have changed since shall be reviewed at least at each the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In carrying out this assessment, the entity considers the following indicators as listed in the Standard (although this is not an exhaustive list) to determine whether the expected useful life and/or residual value has changed:

- (a) The composition of the asset changed during the reporting period, i.e. the significant components of the asset changed.
- (b) The use of the asset has changed, because of the following:

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- The entity has changed the manner in which the asset is used.
 - The entity has changed the utilisation rate of the asset.
 - The entity has made a decision to dispose of the asset in a future reporting period(s) such that this decision changes the expected period over which the asset will be used.
 - Technological, environmental, commercial or other changes that occurred during the reporting period that have, or will, change the use of the asset.
 - Legal or similar limits placed on the use of the asset have changed.
 - The asset was idle or retired from use during the reporting period.
- c) The asset is approaching the end of its previously expected life.
- d) Planned repairs and maintenance on, or refurbishments of, the asset and/or its significant components either being undertaken or delayed.
- e) Environmental factors, e.g. increased rainfall or humidity, adverse changes in temperatures or increased exposure to pollution.
- f) There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period. This is based on any condition assessments undertaken by the entity on its assets during the reporting period in accordance with the Asset Management Plan of the entity.

In assessing whether the condition of an asset has improved or declined, the stage of the asset's lifecycle is considered by the entity. As assets age, a certain level of deterioration is expected. It is only where a decline in the condition is above what is expected, would a thorough analysis of the impact on the useful life of the asset be required. The same applies if an asset is in a better condition than expected.

- g) The asset is assessed as being impaired in accordance with the Standards of GRAP on Impairment of Cash-generating Assets and impairment of Non-cash-generating assets.

In assessing whether there is any indication that the expected residual value of an asset has changed, the entity considers whether there has been any change in the expected timing of disposal of the asset, as well as any relevant indicators included above.

The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.16.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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1.16.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings, the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2009. For Other Assets, the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

1.17. INTANGIBLE ASSETS

1.17.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiable criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.17.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.17.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight-line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

	<u>Years</u>
Computer Software	5-10

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1.17.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17.5 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets, the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2008.

1.18. INVESTMENT PROPERTY

1.18.1 Initial Recognition

Investment property is recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.18.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

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1.18.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The entity assesses at each reporting date whether there is any indication that the entity's expectations about the residual value and the useful life of an asset have changed since shall be reviewed at least at each the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In carrying out this assessment, the entity considers the following indicators as listed in the Standard (although this is not an exhaustive list) to determine whether the expected useful life and/or residual value has changed:

(a) The composition of the asset changed during the reporting period, i.e. the significant components of the asset changed.

(b) The use of the asset has changed, because of the following:

- The entity has changed the manner in which the asset is used.
- The entity has changed the utilisation rate of the asset.
- The entity has made a decision to dispose of the asset in a future reporting period(s) such that this decision changes the expected period over which the asset will be used.
- Technological, environmental, commercial or other changes that occurred during the reporting period that have, or will, change the use of the asset.
- Legal or similar limits placed on the use of the asset have changed.
- The asset was idle or retired from use during the reporting period.

c) The asset is approaching the end of its previously expected life.

d) Planned repairs and maintenance on, or refurbishments of, the asset and/or its significant components either being undertaken or delayed.

e) Environmental factors, e.g. increased rainfall or humidity, adverse changes in temperatures or increased exposure to pollution.

f) There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period. This is based on any condition assessments undertaken by the entity on its assets during the reporting period in accordance with the Asset Management Plan of the entity.

In assessing whether the condition of an asset has improved or declined, the stage of the asset's lifecycle is considered by the entity. As assets age, a certain level of deterioration is expected. It is only where a decline in the condition is above what is expected, would a

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thorough analysis of the impact on the useful life of the asset be required. The same applies if an asset is in a better condition than expected.

g) The asset is assessed as being impaired in accordance with the Standards of GRAP on Impairment of Cash-generating Assets and impairment of Non-cash-generating assets.

In assessing whether there is any indication that the expected residual value of an asset has changed, the entity considers whether there has been any change in the expected timing of disposal of the asset, as well as any relevant indicators included above.

<u>Investment Property</u>	<u>Years</u>
Buildings	30-120

1.18.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2009

1.19 HERITAGE ASSETS

1.19.1 Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.19.2 Subsequent Measurement – Cost Model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

1.19.3 Depreciation and Impairment

Heritage assets are not depreciated

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Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.19.4 De-recognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

1.19.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2009.

1.20. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.20.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

- (a) External sources of information
 - During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
 - Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
 - Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
- (b) Internal sources of information

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- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.20.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

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In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

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- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit. The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.21. INVENTORIES

1.21.1 Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.21.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose.

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The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Fuel held for sale is measured annually at the reporting date by way of a dip reading.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.22. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.22.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.22.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.22.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant

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financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.22.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.22.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

1.22.2.4 Non-Current Investments

Investments which include investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

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Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.22.3 De-recognition of Financial Instruments

1.22.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.22.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

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1.22.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.23 STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

1.23.1 Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

1.23.2 Measurement

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.23.3 Derecognition

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or

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(c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:

(i) derecognise the receivable; and

(ii) recognise separately any rights and obligations created or retained in the transfer.

1.24. REVENUE

1.24.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fines revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

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All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account may be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.24.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for

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that month will be created. . The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

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When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.25 TRANSFER OF FUNCTION (Municipality as the acquirer)

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a Municipality's objectives, either by providing economic benefits or service potential.

A transfer of functions is the reorganisation and/or the re-allocation of functions between Municipalities by transferring functions between Municipalities or into another entity.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method. Applying the acquisition method requires:

- (a) identifying the acquirer (Municipality);
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

As of the acquisition date, the Municipality recognises the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and liabilities assumed meets the definitions of assets and liabilities in the *Framework for the Preparation and Presentation of Financial Statements* and the recognition criteria in the applicable Standards of GRAP at the acquisition date. In addition, the identifiable assets acquired and liabilities assumed are part of what the Municipality and the acquiree (or its former owners) agreed in the binding arrangement.

The Municipality measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

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The Municipality subsequently measures and account for assets acquired and liabilities assumed in accordance with other applicable Standards of GRAP.

1.26 RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
 - has control or joint control over the Municipality.
 - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
 - both entities are joint ventures of the same third party.
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
 - the entity is controlled or jointly controlled by a person identified in (a).
 - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

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Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.27. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure

BITOU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

(measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.30. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

1.31. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.31.1 Post-retirement medical obligations and, Long service awards

The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.31.2 Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.31.3 Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.31.4 Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

1.31.5 Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.31.6 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

1.31.7 Revenue Recognition

Accounting Policy 1.24.2 on Revenue from Non-Exchange Transactions and Accounting Policy 1.24.1 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses have been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.31.8 Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the

BITOU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

1.31.9 Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

1.31.10 Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The actual pre-paid electricity sold per day for the last 5 days during the year under review is used as the estimate for calculating unused units

1.31.11 Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.31.12 Provision for Clearing of Alien Vegetation

The Economic entity has an obligation to clear alien vegetation. The provision represents the present cost to clear the alien vegetation. This was based on the current clearing cost per hectare and the total size of the land to be cleared.

1.32. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.33. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.34. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

1.35. TAXATION

1.35.1 Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

1.35.2 Deferred tax assets and liabilities

Deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

1.35.3 Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus/deficit for the period.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity

2	NET ASSET RESERVES	2018	2017
		R	R
	Capital Replacement Reserve	48,854,892	83,000,000
		<u>48,854,892</u>	<u>83,000,000</u>
3	LONG-TERM LIABILITIES		
	Annuity Loans - At amortised cost	161,234,098	146,561,700
	Capitalised Lease Liability - At amortised cost	0	1,962,703
		<u>161,234,098</u>	<u>148,524,403</u>
	Current Portion transferred to Current Liabilities	(20,543,234)	(18,536,418)
	Annuity Loans - At amortised cost	(20,543,234)	(16,573,715)
	Capitalised Lease Liability - At amortised cost	-	(1,962,703)
	Total Long-term Liabilities - At amortised cost using the effective interest rate method	<u>140,690,864</u>	<u>129,987,984</u>

For detail of the carrying amounts of the loans - see Appendix A

Refer below for maturity dates of long term liabilities:

The obligations under annuity loans are scheduled below:

	Minimum annuity payments	
Amounts payable under annuity loans:		
Payable within one year	37,286,792	32,002,256
Payable within two to five years	145,546,802	115,302,279
Payable after five years	56,082,321	74,537,041
	<u>238,915,915</u>	<u>221,841,576</u>
Less: Future finance obligations	(77,681,816)	(75,279,876)
Present value of annuity obligations	<u>161,234,098</u>	<u>146,561,700</u>

Development Bank Loans

Various structured loans have been taken up with DBSA, with an original value totalling R75.3m. All the loans are paid 6 monthly on a "Fixed capital plus interest" basis which varies between 15-20 year periods with maturity dates ranging from 31/12/2019 - 30/06/2029 respectively. Interest rates applicable on all loans vary from 10.64% to 16% . Apart from the below mentioned loan all other loans are unsecured.

A non current investment to establish a Sinking Fund, amounted to R 5, 244 million has been invested with Nedbank to serve as a contractual collateral on loans (loan WC 13665 and WC 100225) from Development Bank of Southern Africa

Standard Bank

Nine loans originally amounting to a total of R99,89 million had been taken up from Standard bank. These loans will be paid back 6 monthly on a "fixed capital plus interest" basis over a period which varies between 5 and 10 years, with maturity dates from 30/06/2018 to 30/06/2025 respectively. Interest rates applicable to these loans varying between 10.00% and 11.45% respectively. The loans are unsecured.

Nedbank

An existing loan of R10 million and a new loan amounting to R30.874 million have been taken up from NEDBANK. The loans will be paid monthly on equal instalments, based on fixed interest rates of 11.81% and 10.54% respectively over 10 year periods. The loans matures on 30/06/2025 and 30/06/2028. The loans are unsecured.

Absa

An existing loan of R20 million and a new loan amounting to R24. 998 million have been taken up from ABSA. The loans will be paid 6 monthly on equal instalments based on a fixed interest rate over a ten year period with maturity date of 30/06/2026 and 30/06/2027 respectively. Interest rates applicable to these loans varying between 10.04% and 10.36% respectively. The loans are unsecured.

The fair value of Long- Term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

The obligations under finance leases are scheduled below:

	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year		2,065,160
Payable within two to five years		
Payable after five years		
	-	<u>2,065,160</u>
Less: Future finance obligations		(102,457)
Present value of lease obligations	-	<u>1,962,704</u>

Leases were secured by property, plant and equipment - Note 13

The municipality has entered into lease agreements with Avis for motor vehicle rentals. The rental periods were for 36 months, starting 1 July 2015. Rental instalments were payable monthly. No escalation is applicable.

	2018 R	2017 R
4 EMPLOYEE BENEFITS		
Post Retirement Benefits - Refer to Note 4.1	94,770,719	92,364,644
Long Service Awards - Refer to Note 4.2	5,166,567	5,266,040
Total Non-current Employee Benefit Liabilities	99,937,286	97,630,684

Post Retirement Benefits

Balance 1 July	93,770,447	87,764,161
Contribution for the year	18,963,554	15,778,438
Expenditure for the year	(1,351,747)	(1,310,493)
Actuarial Loss/(Gain)	(15,181,259)	(8,461,659)
Total post retirement benefits 30 June	96,200,994	93,770,447
Less: Transfer of Current Portion - Note 7	(1,430,275)	(1,405,802)
Balance 30 June	94,770,719	92,364,644

Long Service Awards

Balance 1 July.	6,065,154	3,378,046
Contribution for the year.	1,149,593	664,360
Expenditure for the year.	(863,138)	(373,447)
Actuarial Loss/(Gain)	221,346	2,396,195
Total long service 30 June	6,572,956	6,065,154
Less: Transfer of Current Portion - Note 7	(1,406,389)	(799,114)
Balance 30 June	5,166,567	5,266,040

TOTAL NON-CURRENT EMPLOYEE BENEFITS

Balance 1 July	99,835,601	91,142,207
Contribution for the year	20,113,147	16,442,798
Expenditure for the year	(2,214,885)	(1,683,940)
Actuarial Gain/(Loss)	(14,959,913)	(6,065,464)
Total employee benefits 30 June	102,773,950	99,835,601
Less: Transfer of Current Portion - Note 7	(2,836,664)	(2,204,916)
Balance 30 June	99,937,286	97,630,685

4.1 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	477	467
In-service (employee)- non members	33	47
Continuation members (e.g. Retirees, widows, orphans)	35	36
Total Members	545	550

The liability in respect of past service has been estimated to be as follows:

In-service members	77,084,170	72,511,038
In -service non-members	2,579,704	3,009,265
Continuation members	16,537,120	18,250,143
Total Liability-unfunded	96,200,994	93,770,446

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2016 R	2015 R	2014 R
In-service members	68,218,893	64,884,127	55,890,289
In -service non-members	2,450,618	-	
Continuation members	17,094,650	16,180,839	15,203,669
Total Liability	87,764,161	81,064,966	71,093,958

	2018 (Rm)	2017 (Rm)	2016 (Rm)	2015 (Rm)
Experience adjustments were calculated as follows				
Liabilities (Gain)/loss	-6.577	4.979	-5.316	-0.912

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonita's;
LA Health
Samwu
Keyhealth.
Hosmed

EMPLOYEE BENEFITS (CONTINUE)

	2018 %	2017 %
Key actuarial assumptions used:		
i) Rate of interest		
Discount rate	9.78	9.99
Health Care Cost Inflation Rate	7.51	8.27
Net Effective Discount Rate	2.11	1.59

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries .
The SA 85-90 table was used by the actuaries for current employees

iii) Normal retirement age

It has been assumed that in-service members will retire at an average age of 57, which then implicitly allows for expected rates of early and ill-health retirement.

	2018 R	2017 R
The amount recognised in the Statement of Financial Position is as follow:		
Present value of fund obligations	96,200,994	93,770,447
Net liability-unfunded	96,200,994	93,770,447
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	93,770,447	87,764,161
Total expenses	17,611,807	14,467,945
Current Service Cost (Included in Employee Cost in the Statement of Financial Performance)	9,660,278	7,696,513
Interest Cost (Included in Employee Cost in the Statement of Financial Performance)	9,303,276	8,081,925
Benefits Paid	(1,351,747)	(1,310,493)
Actuarial Gain/(Losses) (Included in Employee Cost in the Statement of Financial Performance)	(15,181,259)	(8,461,659)
Present value of fund obligation at the end of the year	96,200,994	93,770,447
Less: Transfer of Current Portion - Note 7	(1,430,275)	(1,405,802)
Balance 30 June	94,770,719	92,364,645

Sensitivity Analysis on the Accrued Liability in (R millions)

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	79.664	16537.000	96.201	

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	94.622	18.145	112.767	17
Health care inflation	-1%	67.679	15.144	82.823	(14)
Discount Rate	1%	67.997	15.183	83.180	(14)
Discount Rate	-1%	94.427	18.125	112.552	17
Post-retirement mortality	-1 year	81.800	17.160	98.960	3
Average retirement age	-1 year	86.495	16.537	103.032	7
Membership after retirement	-10%	71.419	16.537	87.956	(9)

Assumption	Change	Current service Cost (R)	Interest Cost (R)	Total	% change
Central Assumption		9,660,300	9,303,300	18,963,600	
Health care inflation	1%	11,755,300	10,975,500	22,730,800	20
Health care inflation	-1%	8,015,500	7,960,700	15,976,200	(16)
Discount rate	1%	8,124,600	8,789,700	16,914,300	(11)
Discount rate	-1%	11,632,800	9,866,300	21,499,100	13
Post-retirement mortality	-1 year	9,929,000	9,585,800	19,514,800	3
Average retirement age	-1 year	9,000,200	10,045,800	19,046,000	-
Withdrawal Rate	50%	8,655,300	8,522,000	17,177,300	(9)

4.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

	2018	2017
	510	514

Key actuarial assumptions used:

i) Rate of interest

	2018 %	2017 %
Discount rate	8.41	8.34
General Salary Inflation (long-term)	6.05	6.15
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.23	2.05

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

The amounts recognised in the Statement of Financial Position are as follows:

	2018 R	2017 R
Present value of fund obligations	6,572,956	6,065,154
Net liability-unfunded	6,572,956	6,065,154

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2016 R	2015 R	2014 R
Total Liability-unfunded	3,378,046	3,185,513	3,083,706

	2018	2017	2016	2015
Experience adjustments were calculated as follows				
Liabilities (Gain)/loss	219,601	2,581,119	107,734	50,941

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year		6,065,154	3,378,046
Total expenses		286,455	290,913
Current service cost (Included in Employee Cost in the Statement of Financial Performance)		676,668	389,726
Interest Cost (Included in Employee Cost in the Statement of Financial Performance)		472,925	274,634
Benefits Paid		(863,138)	(373,447)
Actuarial Losses/(Gain) (Included in Employee Cost in the Statement of Financial Performance)		221,346	2,396,195
Present value of fund obligation at the end of the year		6,572,956	6,065,154
Less: Transfer of Current Portion - Note 7		(1,406,389)	(799,114)
Balance 30 June		5,166,567	5,266,040

Sensitivity Analysis on the Unfunded Accrued Liability (in R Millions)

Assumption	Change	Liability (Rm)	% change
Central assumptions		6.573	
General salary inflation	1%	6.924	5
General salary inflation	-1%	6.251	(5)
Discount rate	1%	6.233	(5)
Discount rate	-1%	6.950	6
Average retirement age	-2yrs	5.547	(16)
Average retirement age	2yrs	7.827	19
Withdrawal rates	-50%	7.961	21

4.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although both the Cape Joint Pension Fund and Cape Joint Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans.

CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 26.77% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund has a funding level of 101.4% (30 June 2014 -106.2%).

Contributions paid recognised in the Statement of Financial Performance

2018 R	2017 R
135,723	151,709

CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in a sound financial position with a funding level of 112.1 %.

Contributions paid recognised in the Statement of Financial Performance

16,635,903	15,090,352
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DEFINED CONTRIBUTION FUNDS

Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit funds are subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

645,508	726,846
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5 NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites

24,235,470	23,743,279
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Total Non-current Provisions

24,235,470	23,743,279
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Landfill Sites

Balance 1 July..

23,743,279	22,699,120
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Unwinding of discounted interest

1,981,574	2,135,217
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Additions

-	-
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Expenditure for the year..

(889,383)	(1,091,057)
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Total provision 30 June

24,835,470	23,743,279
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Less: Transfer of Current Portion to Current Provisions - Note 8

600,000	-
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Balance 30 June

24,235,470	23,743,279
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The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the site is as follows:

Decommission date	2019
Cost of rehabilitation	24,835,470

6 CONSUMER DEPOSITS

Electricity and Water

7,900,471	6,224,457
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Building

55,844	47,668
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Community Halls

36,191	19,541
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Library

3,882	-
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Total Consumer Deposits

7,996,388	6,291,666
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Guarantees held in lieu of Electricity and Water Deposits

246,125	246,125
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Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, Council utilizes the deposit as payment for the outstanding account.

No interest is paid on consumer deposits held.

Management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.

The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

7	CURRENT EMPLOYEE BENEFITS	2018	2017
		R	R
	Current Portion of Post Retirement Benefits - Note 4	1,430,275	1,405,802
	Current Portion of Long-Service Provisions - Note 4	1,406,389	799,114
	Staff Leave	16,947,660	15,715,554
	Bonuses	4,585,648	4,197,603
	Performance Bonus	1,194,375	563,836
	Total Current Employee Benefits	25,564,347	22,681,908
	The movement in current employee benefits are reconciled as follows:		
	Staff Leave		
	Balance at beginning of year	15,715,554	13,253,781
	Contribution to current portion	2,727,010	4,874,973
	Expenditure incurred	(1,494,904)	(2,413,200)
	Balance at end of year	16,947,660	15,715,554
	Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.		
	Bonuses.		
	Balance at beginning of year.	4,197,603	3,779,744
	Contribution to current portion.	8,405,851	7,341,132
	Expenditure incurred.	(8,017,805)	(6,923,273)
	Balance at end of year	4,585,648	4,197,603
	Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle.		
	Performance Bonus		
	Balance at beginning of year..	563,836	215,098
	Contribution to current portion..	630,539	348,738
	Expenditure incurred..	-	-
	Balance at end of year	1,194,375	563,836
8	PROVISIONS		
	Current Portion of Rehabilitation of Landfill-site -Note 5	600,000	-
	Total Provisions	600,000	-
9	TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
	Trade Payables	49,713,908	50,431,350
	Pre-paid electricity	401,999	382,722
	Other Creditors	5,094,307	1,233,703
	Payments received in advance	11,421,092	8,559,172
	Retentions	7,938,229	7,112,412
	Total Trade Payables	74,569,535	67,719,359
	Payables are being recognised net of any discounts.		
	The average credit period on purchases is 30 days from the receipt of the invoice (as determined by the MFMA). No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.		
	Other creditors mainly comprise deposits received towards services to be rendered to the municipality and unallocated banking deposits made on the municipality's banking accounts. No interest is raised and the credits held by the municipality are refunded once the services have been rendered or applied to the service account once the origin of the credit has been established.		
	Management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.		
	The fair value of Creditors were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.		
	All payables are unsecured.		

10 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

	2018	2017
	R	R
Unspent Grants	2,120,345	2,461,791
Provincial and Government Grants	2,120,345	2,461,791
Less: Unpaid Grants	-	(14,480,576)
National Government Grants	-	-
Provincial Government Grants	-	(14,480,576)
Total Conditional Grants and Receipts	2,120,345	(12,018,786)

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

11 UNSPENT PUBLIC CONTRIBUTIONS

Social responsibility	-	-
SASSA	-	-
Fire Disaster	-	272,196
Total Unspent Public Contributions	-	272,196

Reconciliation of public contributions

Opening balance	272,196	499,414
Contributions received	2,603,545	1,730,908
Conditions met - Transferred to revenue	(2,875,741)	(1,958,126)
Closing balance	-	272,196

12 TAXES

VAT RECEIVABLE

VAT Payable	(52,972,444)	(12,381,181)
VAT Receivable	62,719,186	16,679,094
Total VAT receivable	9,746,742	4,297,914

NET VAT RECEIVABLE/(PAYABLE)

9,746,742	4,297,914
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VAT is receivable/payable on the cash basis.

13 PROPERTY, PLANT AND EQUIPMENT

See attached sheet

**BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

13 PROPERTY, PLANT AND EQUIPMENT

	Reconciliation of Carrying Value		Cost		Accumulated Depreciation and Impairment Losses										Carrying Value					
	Opening Balance R	Closing Balance R	Restated Opening Balances	Additions R	Transfers	Write off/De-recognition R	Disposals	Opening Balance R	Transfers	Restated Opening Balances	Depreciation R	Write off/De-recognition R	Disposals	Closing Balances Depreciation R	Impairment Opening Balance R	Corrections	Restated Opening Balance	Impairment Closing Balances	Carrying Value R	
Infrastructure	703,551,681	0	703,551,681	36,201,169	23,543,723	(7,894,663.02)	0	755,601,910	171,822,019	0	171,822,020	19,519,588	(4,746,760)	0	186,589,828	0	0	0	186,589,827	569,912,083
Electrical Infrastructure	123,069,591	0	123,069,591	1,648,040	9,052,532	-	133,770,163	24,137,745	0	3,185,019	27,322,764	0	0	27,322,764	0	0	0	27,322,764	106,447,359	
Water Supply Infrastructure	196,310,653	0	196,310,653	16,651,741	4,940,539	(371,128,35)	217,531,805	54,979,071	0	5,870,988	6,250,213	(256,385)	0	59,870,988	0	0	0	59,870,988	157,660,917	
Roads Infrastructure	216,026,922	0	216,026,922	8,901,088	2,699,573	(1,949,600.37)	226,279,081	52,239,421	0	5,223,421	6,250,213	(346,893)	0	58,141,748	0	0	0	58,141,748	188,137,333	
Sewerage Infrastructure	19,688,014	0	19,688,014	3,465,279	3,378,378	(5,974,933.70)	18,556,714	3,398,501	0	3,398,501	3,398,501	(1,479,574)	0	3,398,501	0	0	0	3,398,501	23,037,185	
Stormwater Infrastructure	18,071,331	0	18,071,331	5,915,022	7,328,356	(5,974,933.70)	18,071,331	1,147,294	0	1,147,294	809,432	(4,140,692)	0	1,956,726	0	0	0	1,956,726	16,114,605	
Solid Waste Infrastructure	18,071,331	0	18,071,331	18,071,331	-	-	18,071,331	1,147,294	0	1,147,294	809,432	(4,140,692)	0	1,956,726	0	0	0	1,956,726	16,114,605	
Community Assets	32,324,321	0	32,324,321	10,781,848	1,982,860	(990,595.43)	44,098,433	12,821,865	0	12,821,865	1,191,064	(437,301)	0	13,575,428	2,209	0	2,209	13,575,428	30,520,796	
Community Assets	32,324,321	0	32,324,321	10,781,848	1,982,860	(990,595.43)	44,098,433	12,821,865	0	12,821,865	1,191,064	(437,301)	0	13,575,428	2,209	0	2,209	13,575,428	30,520,796	
Libraries	19,413,917	0	19,413,917	383,970	235,937	-	20,031,973	3,006,345	0	3,006,345	399,427	0	0	3,695,772	0	0	0	3,695,772	16,426,601	
Construction Work-in-progress	45,702,972	0	45,702,972	49,093,547	(22,721,511)	-	72,075,009	0	0	0	0	0	0	0	0	0	0	0	72,075,009	
Construction Work-in-progress	45,702,972	0	45,702,972	49,093,547	(22,721,511)	-	72,075,009	0	0	0	0	0	0	0	0	0	0	0	72,075,009	
Other Assets	394,812,928	0	394,812,928	12,408,226	30,080,057	(5,932,554.41)	431,368,656	51,951,456	57,083	52,008,539	9,197,223	(5,732,363)	0	55,473,399	7,872,696	0	0	7,872,696	63,346,095	368,022,562
Other Buildings	69,570,447	0	69,570,447	2,626,136	(16,017,079)	(106,183,68)	56,019,320	31,779,657	(4,462,802)	27,315,855	2,696,901	(87,886)	0	29,814,969	813,215	0	0	30,628,185	25,391,136	
Transport Assets	20,784,540	0	20,784,540	3,105,278	17,209,515	(5,242,925.44)	38,852,398	7,941,389	4,468,293	12,399,892	3,649,271	(5,242,925)	0	10,806,027	0	0	0	10,806,027	25,046,480	
Furniture and Office Equipment	7,923,868	0	7,923,868	2,497,059	36,137	(181,785.50)	10,544,128	4,362,714	10,968	4,373,894	1,290,867	(181,785)	0	5,563,272	0	0	0	5,563,272	12,486,143	
Computer Equipment	10,192,868	0	10,192,868	2,497,059	36,137	(181,785.50)	12,544,128	4,362,714	10,968	4,373,894	1,290,867	(181,785)	0	5,563,272	0	0	0	5,563,272	15,750,143	
Machinery and Equipment	7,410,780	0	7,410,780	1,047,978	52,107	(287,660.49)	8,243,204	3,540,896	30,460	3,570,926	896,424	(165,193)	0	4,341,815	0	0	0	4,341,815	3,901,389	
Land	278,930,923	0	278,930,923	2,502,000	28,832,670	-	310,265,593	0	0	0	0	0	0	0	7,059,481	0	0	7,059,481	303,206,112	
Construction Work-in-progress	1,195,805,820	0	1,195,805,820	108,866,600	33,118,716	(14,617,813)	1,323,175,381	239,601,695	57,083	239,658,769	30,501,302	(10,915,645)	0	259,244,427	7,874,905	0	0	7,874,905	267,119,331	1,056,056,051
Construction Work-in-progress	1,195,805,820	0	1,195,805,820	108,866,600	33,118,716	(14,617,813)	1,323,175,381	239,601,695	57,083	239,658,769	30,501,302	(10,915,645)	0	259,244,427	7,874,905	0	0	7,874,905	267,119,331	
30 JUNE 2017																				
Reconciliation of Carrying Value																				
Infrastructure	651,254,707	0	651,254,708	55,474,025	0	0	703,551,681	155,599,815	0	155,599,815	17,356,118	0	1,133,914	171,822,019	0	0	0	171,822,019	531,729,662	
Electrical Infrastructure	114,826,510	0	114,826,510	8,243,081	0	0	123,069,591	21,547,782	0	2,696,983	24,137,745	0	0	24,137,745	0	0	0	24,137,745	98,931,845	
Water Supply Infrastructure	191,891,497	0	191,891,497	4,319,156	0	0	196,310,653	49,983,871	0	4,983,871	4,983,871	0	0	54,979,071	0	0	0	54,979,071	141,331,562	
Roads Infrastructure	216,026,922	0	216,026,922	35,646,713	0	0	230,406,714	53,986,501	0	5,396,501	6,250,213	0	0	59,870,988	0	0	0	59,870,988	188,137,333	
Sewerage Infrastructure	30,408,214	0	30,408,214	5,006,528	0	0	31,248,818	3,003,403	0	3,003,403	3,003,403	0	0	3,398,501	0	0	0	3,398,501	35,000,713	
Stormwater Infrastructure	115,137,821	0	115,137,821	5,006,528	0	0	119,666,370	31,248,818	0	31,248,818	3,003,403	0	0	33,931,987	0	0	0	33,931,987	85,734,953	
Solid Waste Infrastructure	15,815,784	0	15,815,784	2,255,547	0	0	18,071,331	245,966	0	245,966	801,308	0	0	1,147,294	0	0	0	1,147,294	16,924,037	
Community Assets	47,825,850	0	47,825,850	3,912,397	0	0	51,738,237	14,306,215	0	14,306,215	1,521,995	0	0	15,828,210	2,209	0	2,209	15,828,210	35,907,819	
Community Assets	47,825,850	0	47,825,850	3,912,397	0	0	51,738,237	14,306,215	0	14,306,215	1,521,995	0	0	15,828,210	2,209	0	2,209	15,828,210	35,907,819	
Libraries	29,096,077	0	29,096,077	3,228,244	0	0	32,324,321	11,876,813	0	11,876,813	945,052	0	0	12,821,865	2,209	0	2,209	12,821,865	19,600,247	
Libraries	16,729,774	0	16,729,774	694,143	0	0	19,413,917	2,429,402	0	2,429,402	576,943	0	0	3,006,345	0	0	0	3,006,345	16,407,572	
Construction Work-in-progress	20,035,502	0	20,035,502	0	0	0	45,702,972	0	0	0	0	0	0	0	0	0	0	0	45,702,972	
Construction Work-in-progress	20,035,502	0	20,035,502	0	0	0	45,702,972	0	0	0	0	0	0	0	0	0	0	0	45,702,972	
Other Assets	365,574,540	4,205,000	360,779,540	35,578,462	0	816,027	394,812,927	47,246,542	0	47,246,541	5,979,058	650,131	644,013	51,951,456	7,872,696	0	7,872,696	59,824,152	334,988,776	
Other Buildings	68,791,132	0	68,791,132	2,137,860	0	0	69,570,447	30,405,706	0	30,405,706	2,475,381	0	0	31,779,657	813,215	0	0	32,591,872	36,978,575	
Transport Assets	11,961,609	0	11,961,609	9,009,460	0	0	20,784,540	4,927,009	0	4,927,009	1,186,094	0	0	27,547	0	0	0	27,547	7,941,389	
Furniture and Office Equipment	6,248,180	0	6,248,180	1,675,191	0	0	7,923,371	4,328,728	0	4,328,728	0	0	0	4,328,728	0	0	0	4,328,728	3,694,643	
Computer Equipment	10,192,868	0	10,192,868	2,497,059	0	0	12,544,128	4,362,714	0	4,362,714	0	0	0	4,362,714	0	0	0	4,362,714	5,830,252	
Machinery and Equipment	251,989,972	4,205,000	256,174,972	22,755,951	0	0	278,930,923	3,222,465	0	3,222,465	317,583	0	0	3,540,066	7,059,481	0	7,059,481	7,059,481	271,871,442	
Land	1,075,690,801	4,205,000	1,079,695,602	94,964,874	25,667,470	816,027	1,195,805,819	217,152,572	0	217,152,571	24,857,171	650,131	1,777,927	239,601,695	7,874,905	0	7,874,905	247,478,199	946,232,412	

	2018 R	2017 R
13 Assets pledged as security:		
13.1 All the assets (Vehicles and Photostat Machines) which are obtained by financial leases are pledged as security. The total carrying amount of these assets :	-	2,700,631
13.2 Impairment of property, plant and equipment for the year		
Impairment charges on Property, Plant and Equipment recognised in the Statement of Financial Performance	-	-
13.3 Capital commitments		
Capital commitments applicable- see note 49	19,254,400	12,741,388
13.4 Property, Plant and Equipment which is in the process of being constructed or developed		
Infrastructure Assets	25,945,444	8,001,039
Electricity Reticulation	-	866,223
Roads, Pavements, Bridges & Storm water	6,594,908	99,991
Sewerage Purification & Reticulation	9,883,314	2,853,535
Water Reservoirs & Reticulation	9,467,222	4,181,290
Community Assets	358,246	233,587
Libraries	-	233,587
Sport Grounds	292,146	
Other Community Assets	66,100	
Other Assets	144,349	1,594,870
Total Property, Plant and Equipment under construction	26,448,039	9,829,496
13.5 Property, Plant and Equipment that is taking a significantly longer period of time to complete as expected :		
Infrastructure Assets	41,216,706	34,049,382
Electricity Reticulation	25,779,328	14,826,709
Roads, Pavements, Bridges & Storm water	4,763,619	4,801,893
Sewerage Purification & Reticulation	3,260,012	7,316,315
Water Reservoirs & Reticulation	7,413,747	6,969,319
Other		135,145
Community Assets	3,765,996	20,520
Sports Grounds	2,512,876	20,520
Other Community Assets	1,253,120	
Other Assets	592,518	1,751,825
Total	45,575,220	35,821,727
Reasons for the delays :		
- Budgeting/Funding Constraints		
- Delays with EIA Approvals		
- Contracts Terminations		
- Delay with materials ordered from overseas		
13.6 Property, Plant and Equipment where construction or development has been halted:		
halted		
Infrastructure Assets	51,750	51,750
Electricity Reticulation	-	-
Roads, Pavements, Bridges & Storm water	51,750	51,750
Sewerage Purification & Reticulation	-	-
Water Reservoirs & Reticulation	-	-
Other	-	-
Community Assets	-	
Other Assets	-	
Total	51,750	51,750
Total Work in progress	72,075,009	45,702,972

Reason for the halt

Litigation matter relating to the Small Boat Harbour

13.7 Expenditure incurred to repair and maintain Property, Plant and Equipment:

Employee related costs	3,314,396	5,363,562
Materials	13,084,668	7,937,197
Contracted Services	8,327,291	11,721,857
Other Expenditure	-	1,046,106
Total Repairs and Maintenance	24,726,355	26,068,721

14**14.1 INVESTMENT PROPERTY****Net Carrying amount at 1 July****55,452,825** **55,453,363**

Cost	56,565,759	56,565,759
Accumulated Depreciation	(1,109,934)	(1,109,396)
Accumulated Impairments	(3,000)	(3,000)

Depreciation for the year	(538)	(538)
Impairments for the year	-	-

Transfers (28,832,670)

Net Carrying amount at 30 June**26,619,617** **55,452,825**

Cost	27,733,089	56,565,759
Accumulated Depreciation	(1,110,472)	(1,109,934)
Accumulated Impairments	(3,000)	(3,000)

14.2 There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

14.3 There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

14.4 Revenue derived from the rental of investment property **289,809** **289,809**

15 INTANGIBLE ASSETS**15.1 Computer Software****Net Carrying amount at 1 July****316,123** **369,804**

Cost	753,047	715,880
Accumulated Amortisation	(436,924)	(346,076)

Disposals (31,191) -

Additions - 37,167

Amortisation (Included in Depreciation and Amortisation in the Statement of Financial Performance) (98,369) (90,848)

Net Carrying amount at 30 June**186,563** **316,123**

Cost	721,856	753,047
Accumulated Amortisation	(535,293)	(436,924)

No intangible asset has an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

	2018 R	2017 R
15.2 Change in estimates in terms of GRAP 3		
The useful life's of assets were adjusted for further periods		
Amortisation after adjustments	-	1,960
Amortisation before adjustments	-	2,623

16 HERITAGE ASSETS

16.1 Net Carrying amount at 1 July	35,193	35,193
Cost	35,193	35,193
Accumulated Impairment	-	-
Acquisitions	-	-
Disposals	-	-
Impairments	-	-
Reversal of Impairment losses	-	-
Transfers from Property, Plant and equipment	-	-
Net Carrying amount at 30 June	35,193	35,193
Cost	35,193	35,193
Accumulated Impairment	-	-

Heritage Assets consist of historical land and the Mayoral chain.
The assets were measured at cost.

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.

There are no Heritage Assets pledged as security for liabilities

17 INVESTMENTS

Total Non- Current Investments

Fixed Deposits	6,852,559	6,102,365
Total Current Investments	6,852,559	6,102,365

A non-current investment to establish a Sinking Fund, amounted to R5,243,673.32 was re-invested with Nedbank Ltd to serve as a contractual collateral on loan accounts WC 13665 and WC 100225 from Development Bank of Southern Africa

Interest accrued on the investment is capitalized annually .

18 LONG-TERM RECEIVABLES

Housing selling scheme loans	12,161	15,170
Less : Current portion transferred to current receivables	(3,442)	(3,921)
Total Long- Term Receivables	8,720	11,248

Prior to the effect of the provisions of section 164(1)(c) of the MFMA (Act 56 of 2003) on 1 July 2004, loans were granted to qualifying senior staff members to enable them to acquire a house. The house should be occupied by the staff member and should be the primary home of the staff member. The repayment period of these loans and the applicable interest rate is a maximum of 20 years and eight percent per annum, respectively.

The repayments applicable, are levied with the monthly consumer accounts, and outstanding amounts of these accounts are reflected as part of the outstanding receivables from exchange transactions.

The terms granted to these loans have not been more favourable that would be expected in market terms

19 INVENTORY

	2018 R	2017 R
Consumables - At cost	9,921,971	7,670,180
Water – at cost	160,943	148,655
Total Inventory	10,082,914	7,818,834
Consumable stores materials written down due to losses as identified during the annual stores counts.	56,815	120,007
Consumable stores materials surpluses identified during the annual stores counts.	16,336	50,292
Inventory recognised as an expense during the year	8,265,119	4,828,027
No inventory assets were pledged as security for liabilities.		

20 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Nett Balances R
As at 30 June 2018			
Service Receivables	122,049,850	88,652,299	33,397,551
Electricity	19,517,053	5,816,886	13,700,167
Water	31,710,915	24,594,500	7,116,415
Sewerage	38,736,353	34,008,785	4,727,567
Sundries	8,079,946	3,093,859	4,986,087
Refuse Removal	24,005,584	21,138,269	2,867,315
Housing Rentals	899,497	721,560	177,937
Total	122,949,347	89,373,859	33,575,488
As at 30 June 2017			
Service Receivables	96,344,059	62,173,434	34,170,625
Electricity	17,701,513	3,253,205	14,448,308
Water	30,451,252	21,923,300	8,527,952
Sewerage	25,606,218	21,080,251	4,525,967
Sundries	6,130,815	2,098,576	4,032,239
Refuse Removal	16,454,261	13,818,102	2,636,159
Housing Rentals	837,072	721,560	115,512
Total	97,181,131	62,894,994	34,286,137

Ageing of Receivables from Exchange Transactions:

(Electricity): Ageing

	2018 R	2017 R
Current (0 - 30 days)	11,482,436	10,269,652
31 - 60 Days	775,546	1,377,073
61 - 90 Days	531,417	572,222
+ 90 Days	6,727,654	5,482,567
Total	19,517,053	17,701,513

(Water): Ageing

	2018 R	2017 R
Current (0 - 30 days)	7,526,517	4,948,105
31 - 60 Days	1,377,772	1,619,515
61 - 90 Days	1,104,976	1,087,754
+ 90 Days	21,701,649	22,795,878
Total	31,710,915	30,451,252

(Sewerage): Ageing

	2018 R	2017 R
Current (0 - 30 days)	6,401,629	3,684,782
31 - 60 Days	1,351,068	1,033,701
61 - 90 Days	1,243,094	862,875
+ 90 Days	29,740,561	20,024,859
Total	38,736,353	25,606,218

(Sundries): Ageing

	2018 R	2017 R
Current (0 - 30 days)	281,782	963,889
31 - 60 Days	64,467	131,605
61 - 90 Days	73,042	1,147,366
+ 90 Days	7,660,655	3,887,955
Total	8,079,946	6,130,815

(Refuse): Ageing

	2018 R	2017 R
Current (0 - 30 days)	3,924,154	2,678,735
31 - 60 Days	791,440	619,302
61 - 90 Days	724,787	520,685
+ 90 Days	18,565,203	12,635,539
Total	24,005,584	16,454,261

(Housing): Ageing

	2018 R	2017 R
Current (0 - 30 days)	81,730	79,529
31 - 60 Days	19,056	3,447
61 - 90 Days	18,805	3,145
+ 90 Days	779,907	750,951
Total	899,497	837,072

(Total): Ageing

Current (0 - 30 days)	29,698,248	22,624,692
31 - 60 Days	4,379,349	4,784,643
61 - 90 Days	3,696,121	4,194,047
+ 90 Days	85,175,629	65,577,749
Total	122,949,347	97,181,131

21 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Nett Balances R
As at 30 June 2018			
Rates	35,476,140	22,282,397	13,193,742
Sundries	238,130	0	238,130
Traffic Fines	105,807,831	93,335,796	12,472,035
Total	141,522,100	115,618,193	25,903,907

As at 30 June 2017

Rates	23,910,044	9,485,589	14,424,455
Sundry Debtors.	339,364	-	339,364
Traffic Fines	73,908,836	65,778,864	8,129,972
Total	98,158,244	75,264,453	22,893,791

Ageing of Receivables from Non-Exchange Transactions:**(Rates): Ageing**

	2018 R	2017 R
Current (0 - 30 days)	9,354,629	6,772,380
31 - 60 Days	1,371,614	1,230,986
61 - 90 Days	1,686,383	647,274
+ 90 Days	23,063,514	15,259,404
Total	35,476,140	23,910,044

Receivables impaired

	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
2018			
Total	89,373,859	115,618,193	204,992,052
2017			
Total	62,894,994	75,264,453	138,159,447

Reconciliation of Provision for Bad Debts for Receivables from Exchange and Non -Exchange transactions

Balance at beginning of year	138,159,447	105,134,950
Contribution to provision	66,832,605	33,024,497
Balance at end of year	204,992,052	138,159,447

In determining the recoverability of a trade receivable, the Municipality considers any change in the credit quality of the trade receivable from the date the credit was initially granted, up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

22 OPERATING LEASE ARRANGEMENTS**22.1 The Municipality as Lessee (Liability)**

Balance on 1 July	297,004	427,515
Movement during the year	64,243	(130,511)
Balance on 30 June	361,247	297,004

At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:

Up to 1 Year	2,516,187	2,827,831
1 to 5 Years	6,234,533	8,103,675
More than 5 Years		647,045
Total Operating Lease Arrangements	8,750,720	11,578,551

Operating leases consists of agreements for building rentals

The municipality does not engage in any sub-lease arrangements.

The municipality did not pay any contingent rent during the year

22.2 The Municipality as Lessor (Asset)

	2018 R	2017 R
Balance on 1 July	273,230	206,364
Movement during the year.	37,622	66,866
Balance on 30 June	310,852	273,230

At the Statement of Financial Position date, the municipality will receive operating lease income as follows:

Up to 1 Year	424,028	529,156
1 to 5 Years	2,103,387	1,326,336
More than 5 Years		407,923
Total Operating Lease Arrangements	2,527,415	2,263,415

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.
No restrictions have been imposed on the Municipality in terms of the operating lease agreements.

The leases are in respect of land and buildings being leased out for several purposes.

The municipality does not engage in any sub-lease arrangements.

The municipality did not receive any contingent rent during the year

Leases escalate annually between 5% to 12%. Lease agreements are non-cancellable and have terms from 2 to 10 years.

Some of the leases are renewable after the lapsing of the existing lease period

23 CASH AND CASH EQUIVALENTS

Assets

Call Investments Deposits	81,314,177	53,010,079
Bank Accounts	59,483,835	73,033,220
Cash Floats	15,180	12,020
Total Cash and Cash Equivalents - Assets	140,813,192	126,055,319

Cash and cash equivalents comprises of cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Security amounting to R 200,000 is held at Standard Bank for E- Fuel.

The municipality has the following bank accounts:

Current Accounts

Standard Bank George-Account Number 082599343 (Previous Primary Bank Account)	-	7,168,399
Standard Bank George-Account Number 282032371 (Direct Deposits)	-	1,485,854
Standard Bank George-Account Number 082608288 (ACB)	-	5,623
Standard Bank George-Account Number 082592535 (Previous Traffic Account)	-	896,561
Nedbank- Account Number 1089911513 (Current Primary Bank Account)	58,494,923	63,516,264
Nedbank- Account Number 1089913079 (Current Traffic Account)	72,571	107,545
Nedbank- Account Number 1089913974 (Current Direct Deposits)	1,190,080	577,163
Nedbank- Account Number 1147931046	-	272,196
	59,757,574	74,029,603

Cash book balance at beginning of year

	73,033,220	17,267,242
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Cash book balance at end of year	59,483,835	73,033,220
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Standard Bank George-Account Number 082599343 (Primary Bank Account) until 14 December 2014

Bank statement balance at beginning of year	7,168,399	15,235,038
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Bank statement balance at end of year	-	7,168,399
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Standard Bank George-Account Number 282032371 (Direct Deposits)

Bank statement balance at beginning of year	1,485,854	791,614
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Bank statement balance at end of year	-	1,485,854
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Standard Bank George-Account Number 082592535 (Previous Traffic Account)

Bank statement balance at beginning of year	896,561	563,187
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Bank statement balance at end of year	-	896,561
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Standard Bank George-Account Number 082608288 (ACB)

Bank statement balance at beginning of year	5,623	148,308
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Bank statement balance at end of year	-	5,623
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Nedbank- Account Number 1089911513 (Primary Bank Account) since 15 December 2015

Bank statement balance at beginning of year	63,516,264	5,888,600
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Bank statement balance at end of year	58,494,923	63,516,264
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Nedbank- Account Number 1089913079

Bank statement balance at beginning of year	107,545	327,973
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Bank statement balance at end of year	72,571	107,545
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Nedbank- Account Number 1089913974

Bank statement balance at beginning of year	577,163	444,474
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Bank statement balance at end of year	1,190,080	577,163
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Nedbank- Account Number 1147931046

Bank statement balance at beginning of year	272,196	-
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Bank statement balance at end of year	-	272,196
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Call Investment Deposits

Call investment deposits consist out of the following accounts:

	2018 R	2017 R
Standard Account nr 488-607-7000-044	-	21,411,166
Standard Account nr 488-607-7000-049	-	10,183,757
Nedbank Account nr 03/7881052406/000076	-	21,415,157
Nedbank Account nr 03/7881052406/000083	15,542,548	
Absa Account nr 4094250421	20,237,424	
Absa Account nr 4094254679	5,059,356	
Absa Account nr 4094254175	10,118,712	
Investec Account nr 1100443838500	20,237,425	
Investec Account nr 1100443838501	10,118,712	
	81,314,177	53,010,079

For the purposes of the Cash Flow Statement, Bank, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

Call investment deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 5 % to 6 % per annum.

24 PROPERTY TAXES**Actual****Rateable Land and Buildings**

Residential, Industrial, Rural and Other
Commercial
State

	121,810,210	112,519,143
	104,405,373	102,023,378
	14,187,417	8,536,123
	3,217,419	1,959,642

Total Assessment Rates

	121,810,210	112,519,143
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New General Valuations - 1 JULY 2017**Rateable Land and Buildings**

Residential, Industrial, Rural and Other
Commercial
State

	23,381,522,800	21,120,668,573
	1,781,675,500	269,147,400
	235,309,500	269,466,000

Total Assessment Rates

	25,398,507,800	21,659,281,973
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Assessment Rates are levied on the value of land and improvements, for which a valuation must be performed every 5 years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations, consolidations and subdivisions. A new roll was implemented from 1 July 2017

The tariff for residential properties are used as the basis for the calculation of property rates for all other categories. A Business will pay 67% more than a household and farms or rural properties will pay 75% less than residential households.

Rates are levied annually on property and are payable by 30 September. Owners are allowed to pay the annual assessment in 12 monthly instalments. Monthly rates are payable by the 15th of the following month. Interest is levied at the prime rate plus 1% on outstanding rates amounts.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

25 GOVERNMENT GRANTS AND SUBSIDIES**Unconditional Grants**

Equitable Share
Other Grants and Donations

	76,914,741	64,235,000
	74,039,000	64,235,000
	2,875,741	

Conditional Grants

Grants and donations

	101,705,519	117,932,994
	101,705,519	117,932,994

Total Government Grants and Subsidies

	178,620,260	182,167,994
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Government Grants and Subsidies- Capital
Government Grants and Subsidies- Operational

	51,016,531	81,804,891
	127,603,728	100,363,103
	178,620,260	182,167,994

Revenue recognised per vote as required by Section 123 (c) of the MFMA	2018	2017
	R	R
Community Services	46,926,250	78,018,744
Corporate Services	488,654	317,150
Council	-	-
Financial Services	1,880,000	1,695,000
Municipal Services and Infrastructure Development	55,280,981	34,886,659
Office of the Municipal Manager	5,375	1,888,000
Strategic Services	-	1,127,442
	104,581,260	117,932,994

The municipality does not expect any significant changes to the level of grants.

25.01 Equitable share

Grants received	74,039,000	64,235,000
Conditions met - Operating	(74,039,000)	(64,235,000)
Unconditional	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

25.02 Extended Public Works Program

Opening balance	-	-
Grants received	2,232,000	1,869,000
Conditions met - Operating	(2,232,000)	(1,869,000)
Conditions still to be met	-	-

Job creation projects in previous disadvantage areas

25.03 Local Government Financial Management Grant (FMG)

Opening balance	-	-
Grants received	1,550,000	1,475,000
Conditions met - Operating	(1,550,000)	(1,475,000)
Conditions met-to be recovered	-	-

The Financial Management Grant is paid by National Treasury to medium capacity municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

25.04 Municipal Infrastructure Grant (MIG)

Opening balance	2,281,791	2
Grants received	25,458,000	25,682,000
Conditions met - Capital	(27,739,791)	(23,400,211)
Conditions met	-	2,281,791

The grant was used to upgrade infrastructure in previously disadvantaged areas, paid by National Treasury.

25.05 Housing Grants

Opening balance	(14,480,575)	9,054,979
Grants received	48,440,566	43,893,012
Conditions met - Operating	(32,738,996)	(20,253,292)
Conditions met - Capital	-	(47,175,274)
Refunded	-	-
Conditions met-to be recovered	1,220,995	(14,480,575)

Housing grants was utilised for the development of erven and the erection of top structures, paid by the Provincial Government.

	2018 R	2017 R
25.06 National Electrification Programme		
Opening balance	-	-
Grants received	10,000,000	8,000,000
Conditions met - Capital	(10,000,000)	(8,000,000)
Conditions met-	-	-
The National Electrification Grant was used for electrical connections in previously disadvantaged areas.		
25.07 LGSETA Grant		
Opening balance	1	1
Grants received	345,084	317,150
Conditions met - Operating	(345,084)	(317,150)
Conditions still to be met	1	1
The grant was received from the National Treasury for the construction of a Desalination Plant to assist us in drought situations .		
25.08 FIRE SERVICES CAPACITY GRANT		
Opening balance	-	-
Grants received	1,450,000	-
Conditions met - Operating	(1,450,000)	-
Conditions met	-	-
Municipal Disaster Recovery Grant [Schedule 5B] received from the Provincial Government for disaster support		
25.09 FINANCIAL MANAGEMENT CAPACITY GRANT		
Opening balance	120,000	-
Grants received	240,000	340,000
Conditions met - Operating	(157,312)	(220,000)
Conditions met - Capital	-	-
Conditions still to be met	202,688	120,000
The Grant was received from Provincial Government to assist with the implementation of Performance Management in the Municipality.		
25.10 Community Development Workers		
Opening balance	-	-
Grants received	19,000	19,000
Conditions met - Operating	(5,375)	(19,000)
Conditions still to be met	13,625	-
The grant was received from the Provincial Department of Local Government and Housing to assist with the operating cost of the CDW program.		
25.11 Library Grant		
Opening balance	-	372,873
Grants received	1,800,000	1,604,000
Conditions met - Operating	(1,800,000)	(1,860,136)
Conditions met - Capital	-	(116,737)
Conditions still to be met	-	-
The grant was received from the Provincial Department of Local Government to assist with the operating cost of libraries. The funds should be used to assist with the appointment of temporary staff and literacy projects. No funds were withheld.		
25.12 Municipal Replacement Grant		
Opening balance	(1)	287,304
Grants received	8,605,000	8,226,000
Conditions met - Operating	(7,440,244)	(6,868,187)
Conditions met - Capital	(556,740)	(1,645,118)
Conditions still to be met	608,014	(1)
This grant was received as a contribution for the operational cost of the libraries		
25.13 Proclaimed Roads Maintenance		
Opening balance	-	-
Grants received	1,589,000	2,754,000
Conditions met - Operating	(1,589,000)	(2,754,000)
Conditions met-to be recovered	-	-
This subsidy was for maintenance on main roads , belonging to the Western Cape Government		
25.14 Financial Management Capacity Support Grant-Drought		
Opening balance	-	32,447
Grants received	1,800,000	-
Conditions met - Operating	-	(9,704)
Conditions met - Capital	(1,800,000)	(22,743)
Conditions met-to be recovered	-	-

	2018 R	2017 R
25.15 Thusong Sentrum		
Opening balance	-	-
Grants received	-	100,000
Conditions met - Operating	-	(100,000)
Conditions met - Capital	-	-
Conditions met-to be recovered	-	-
	<u>-</u>	<u>-</u>
25.16 Financial Management Support Grant		
Opening balance	-	-
Grants received	1,000,000	700,000
Conditions met - Operating	(1,000,000)	(200,000)
Conditions met - Capital	-	(500,000)
Conditions met-to be recovered	-	-
	<u>-</u>	<u>-</u>
25.17 Local Government Graduate Internship Grant		
Opening balance	60,000	-
Grants received	66,000	60,000
Conditions met - Operating	(50,976)	-
Conditions met - Capital	-	-
Conditions met-	-	-
	<u>75,024</u>	<u>60,000</u>
25.18 National Disaster Management Grant		
Opening balance	-	-
Grants received	10,920,000	-
Conditions met - Operating	-	-
Conditions met - Capital	(10,920,000)	-
Conditions met-to be recovered	-	-
	<u>-</u>	<u>-</u>
25.19 Financial Management Support Grant m SCOA		
Opening balance	-	-
Grants received	330,000	-
Conditions met - Operating	(330,000)	-
Conditions met - Capital	-	-
Conditions met-to be recovered	-	-
	<u>-</u>	<u>-</u>
25.20 Funding for asset replacement		
Opening balance	-	-
Grants received	2,595,375	-
Unconditional - Operating	(2,595,375)	-
	<u>-</u>	<u>-</u>
Funding donated from various stakeholders from the Public to replace assets		
25.21 Fire Disaster public funding		
Opening balance	272,196	-
Grants received	8,170	-
Unconditional - Operating	(280,366)	-
	<u>-</u>	<u>-</u>
This refers to Public Funds received i.r.o the Fire Disasters during June 2017		
25.22 Total Grants		
Opening balance	(11,746,588)	9,747,606
Grants received	192,487,194	159,274,162
Conditions met - Operating	(124,727,987)	(100,180,469)
Conditions met - Capital	(51,016,531)	(80,860,082)
Unconditional - Operating	(2,875,741)	-
Conditions still to be met/(Grant expenditure to be recovered)	<u>2,120,348</u>	<u>(12,018,783)</u>
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	2,120,348	2,461,792
Unpaid Conditional Government Grants and Receipts	-	(14,480,576)
	<u>2,120,348</u>	<u>(12,018,781)</u>
26 PUBLIC CONTRIBUTIONS AND DONATIONS		
Sundries	-	149,111
	<u>-</u>	<u>149,112</u>

27	SERVICE CHARGES	2018	2017
		R	R
	Electricity charges	134,531,897	136,933,400
	Water charges	77,541,594	57,985,400
	Refuse removal charges	43,276,737	39,676,935
	Sewerage and Sanitation Charges	75,112,920	66,429,620
		<u>330,463,148</u>	<u>301,025,354</u>
	Less: Rebates	(52,151,467)	(49,354,808)
	Total Service Charges	<u>278,311,680</u>	<u>251,670,547</u>

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

The method to determined rebates and subsidized services has changed since the previous year in the sense that rebates and discounts which were previously treated as revenue forgone and discounted in the tariffs ,are now levied at full tariffs and rebates and subsidies are then credited to the beneficiaries who have qualified for rebates and subsidies.

28	OPERATIONAL REVENUE		
	Breakages and Losses Recovered	3,989	139
	Call Out Fees	-	1,634
	Collection Charges	56,558	435,400
	Discounts and Early Settlements	345,084	-
	Landing Fees	962,333	284,951
	Lost Library items	-	3,040
	Signage	-	2
	Staff Recoveries	31,501	-
	Administrative Handling Fees	627	11
	Incidental Cash Surpluses	-	1,711
	Commission	-	125,058
	Third party payments	1,543,288	624,257
	Total Operational Revenue	<u>2,943,380</u>	<u>1,476,204</u>

29	SALES OF GOODS AND RENDERING OF SERVICES		
	Building Plan Fees	3,001,470	2,554,625
	Boarding Services -Staff	433,194	-
	Cleaning and Removal	-	1,504,380
	Clearance Certificates	-	106,120
	Cemetery Fees	31,337	29,950
	Consumables	-	2,509
	Entrance Fees	209,818	49,825
	Fire fighting fees	113,210	1,384,335
	Fuel sales	2,146,414	2,878,198
	Landing Fees	-	29,320
	Parking Fees	41,032	-
	Photocopies and Faxes	-	30,305
	Street Markets (Informal Traders)	390	-
	Town Planning Fees	419,480	467,796
	Tender documents	99,922	75,188
	Valuation Rolls	-	6,716
	Valuation Services	-	2,400
		<u>6,496,267</u>	<u>9,121,668</u>

EMPLOYEE RELATED COSTS

	2018 R	2017 R
Salaries and Wages	121,532,183	111,402,373
Contributions to UIF and pensions	19,108,722	17,922,262
Medical Aid contributions	14,592,897	13,268,748
Overtime payments	9,378,983	9,620,470
Bonuses	8,405,851	7,341,132
Travelling Allowance and subsistence and other Allowances	9,145,789	11,347,167
Housing Benefits and Allowance	1,229,261	1,045,018
Contributions to Leave	2,727,010	4,874,973
Contributions to Group Insurance	3,680,014	3,333,642
Standby Allowance	2,347,572	3,203,896
Contribution to Long Service awards	1,370,939	3,060,555
Current service cost	676,668	389,726
Interest Cost	472,925	274,634
Actuarial Gains and Losses	221,346	2,396,195
Contribution to Post Employment Medical	3,782,295	7,316,779
Current Service Cost	9,660,278	7,696,513
Interest Cost	9,303,276	8,081,925
Actuarial Gains and Losses	(15,181,259)	(8,461,659)
Performance Bonus	630,539	348,738
Total Employee Related Costs	197,932,053	194,085,752

KEY MANAGEMENT PERSONNEL

The Municipal Manager and Directors are appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract period.

REMUNERATION OF KEY MANAGEMENT PERSONNEL**Remuneration of the Municipal Manager****Mr TC Ndlovu (period 6 February - 30 June 2017)**

Annual Remuneration	1,013,882	381,411
Allowance	255,412	97,684
Travelling Allowance	264,000	106,832
Telephone allowance	60,000	24,250
Contributions to UIF, Medical, Pension Funds and Bargaining Council	17,304	782
Total	1,610,599	610,959

Remuneration of the Acting Municipal Manager**Mr JB Douglas (period 8 January 2018 - 31 March 2018)**

Remuneration	376,469	
Total	376,469	

Remuneration of the Director Infrastructure and Technical Services**Me P Ngqumshe (period 1 July - 30 November 2017)**

Annual Remuneration	343,203	768,369
Allowance	240,521	533,818
Telephone allowance	11,500	27,600
Travelling Allowance	55,000	132,000
Leave	75,347	-
Contributions to UIF, Medical, Pension Funds and Bargaining Council	81,630	157,648
Total	807,202	1,619,434

Remuneration of the Director Infrastructure and Technical Services**Mr MJ Rhode (period 1 June - 30 June 2018)**

Annual Remuneration	81,818	-
Travelling Allowance	5,200	-
Contributions to UIF, Medical, Pension Funds and Bargaining Council	1,017	-
Total	88,035	-

Remuneration of the Director Corporate Services**Mr R Smit**

Annual Remuneration	-	561,716
Annual Bonus	-	119,195
Acting Allowance	-	26,483
Travelling Allowance	-	54,000
Telephone allowance	-	13,800
Contributions to UIF, Medical, Pension Funds and Bargaining Council	-	102,047
Leave	-	127,602
Total	-	1,004,844

	2018	2017
	R	R
Remuneration of the Director Corporate Services		
Me VJ Mbelani (period 01/05/2017-30/06/2017)		
Annual Remuneration	741,238	111,721
Other Allowance	185,974	29,269
Bonus	32,585	
Travelling Allowance	127,500	25,000
Telephone allowance	60,000	10,000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	13,024	313
Total	1,160,320	176,303
Remuneration of the Director Community Services		
Mr MG Stratu (period 1 July 2016-28 February 2017)		
Annual Remuneration	-	815,895
Annual Bonus	-	-
Allowance	-	25,883
Acting Allowance	-	3,545
Telephone allowance	-	18,400
Travelling Allowance	-	-
Contributions to UIF, Medical, Pension Funds and Bargaining Council	-	-
Leave	-	108,462
Total	-	972,185
Remuneration of the Chief Financial Officer		
Mr FM Lötter (period 1 July 2016- 31 August 2016)		
Annual Remuneration	-	236,707
Acting Allowance	-	-
Travelling Allowance	-	39,430
Telephone allowance	-	18,400
Leave	-	277,298
Contributions to UIF, Medical, Pension Funds and Bargaining Council	-	5,336
Severance Benefit	-	1,001,257
Total	-	1,578,428
Remuneration of the Chief Financial Officer		
Mr BV Mkhafa (period 01/05/2017 - 30 June 2017)		
Annual Remuneration	833,589	129,530
Other Allowance	209,220	32,927
Bonus	37,776	
Travelling Allowance	144,000	24,000
Telephone allowance	60,000	10,000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	14,441	313
Total	1,299,026	196,770
Remuneration of the Director : Strategic Services		
Mr D Friedman		
Annual Remuneration	892,882	831,421
Allowance	232,188	219,252
Annual Bonus	93,079	-
Acting Allowance	9,518	153,992
Travelling Allowance	240,000	240,000
Telephone allowance	27,600	27,600
Contributions to UIF, Medical, Pension Funds and Bargaining Council	41,650	25,336
Total	1,536,917	1,497,601

31 REMUNERATION OF COUNCILLORS

Executive Mayor	834,192	762,060
Deputy Executive Mayor	632,363	622,497
Speaker	50,690	609,417
Mayoral Committee Members	1,316,358	1,174,141
Councillors	3,204,726	2,191,721
Total Councillors' Remuneration	6,038,330	5,359,837

In-kind Benefits

The Councillors occupying the positions of Executive Mayor, Deputy Executive Mayor, Speaker and Executive Mayoral Committee Members of the Municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the Municipality in order to enable them to perform their official duties. The Executive Mayor is also provided with official transport for public duties.

32 (IMPAIRMENT LOSS) / REVERSAL OF IMPAIRMENT LOSS ON RECEIVABLES

Receivables from exchange transactions	26,478,865	12,485,454
Receivables from non- exchange transactions	40,353,740	20,539,043
Total Contribution to Debt Impairment	66,832,605	33,024,498
Less: Portion Relating to VAT	(3,453,506)	(1,533,301)
Debt impairment recognised in statement of financial performance	63,379,098	31,491,196

	2018 R	2017 R
33 BAD DEBTS WRITTEN OFF		
Receivables from exchange transactions	15,430,002	5,895,431
Receivables from non- exchange transactions -Rates	306,290	120,782
Receivables from non- exchange transactions -Traffic Fines	15,605,065	
	31,341,357	6,016,213
34 DEPRECIATION AND AMORTISATION		
Property Plant and Equipment	30,501,302	24,857,171
Investment Property	538	538
Intangible Assets	98,369	90,848
Capitalized Restoration Cost		
	30,600,210	24,948,557
35 (IMPAIRMENT LOSS) / REVERSAL OF IMPAIRMENT LOSS ON FIXED ASSETS		
Property Plant & Equipment		187,896
Intangible Assets		
	-	187,896
36 FINANCE COSTS		
Annuity Loans	15,573,801	14,753,681
Finance leases	102,457	279,664
Landfill restoration cost	1,981,574	2,135,217
Total finance charges	17,657,832	17,168,561
37 BULK PURCHASES		
Electricity bulk	107,091,556	104,253,188
Total Bulk Purchases	107,091,556	104,253,188
38 CONTRACTED SERVICES		
Outsourced Services	16,125,172	14,035,441
Alien Vegetation Control	-	236,764
Burial Services	71,100	63,530
Catering Services	486,990	1,037,778
Cleaning Services	20,340	89,899
Clearing and Grass Cutting Services	1,241,677	121,100
Connection/Dis-connection	-	107,969
Drivers Licence Cards	246,762	-
Electricity	380,448	-
Hygiene Services	9,045	-
Illegal Dumping	-	343,550
Litter Picking and Street Cleaning	196,347	18,750
Meter Management	1,077,954	-
Personnel and Labour	167,722	-
Removal of Structures and Illegal Signs	63,945	-
Security Services	9,048,606	9,397,255
Sewerage Services	215,450	211,706
Traffic Fines Management	2,721,001	1,942,346
Translators, Scribes and Editors	-	67,359
Transport Services	60,768	397,433
Water Takers	117,018	-
Contractors	13,470,565	10,711,944
Audio-visual Services	-	3,614
Artists and Performers	-	69,212
Auctioneers	-	56,169
Catering Services	626,539	-
Chipping	-	308,160
Event Promoters	-	107,188
Electrical	328,021	-
Fire Protection	933,422	1,438,335
First Aid	12,766	-
Forestry	161,696	-
Haulage	1,985,402	4,899,198
Maintenance of Buildings and Facilities	2,406,640	406,993
Maintenance of Equipment	2,026,101	188,672
Maintenance of Unspecified Assets	3,669,091	3,126,961

Pest Control and Fumigation	154,223	89,697
Photographer	1,159,304	17,745
Plants, Flowers and Other Decorations	7,362	-
Consultant and Professional Fees	38,666,064	47,663,954
Accounting and Auditing	2,391,158	1,509,023
Aeronautical	37,833	-
Architectural	492,820	-
Audit Committee	111,434	-
Business and Financial Management	656,858	7,407,378
Civil	21,817,890	32,243,753
Collection	112,888	-
Electrical	4,430	-
Human Resources	1,053,554	-
Legal Advice and Litigation	6,257,984	6,319,717
Medical Examinations	17,935	19,959
Occupational Health and Safety	122,999	-
Project Management	1,886,426	-
Quality Control	2,239,473	-
Research and Advisory	706,984	164,124
Town Planner	174,027	-
Valuer and Assessors	433,130	-
Water	148,243	-
Total Contracted Services	68,261,801	72,411,339

39 OPERATIONAL COST

Advertising	1,532,522	617,543
Assets below threshold	105,545	-
Audit Fees	2,398,201	2,063,911
Bank Charges	2,936,938	2,235,864
Bursaries	437,218	630,688
Communication	32,000	100,215
Community Development Projects	-	456,096
Congresses and Seminars	1,736,369	450,001
Corporate Branding	-	34,741
Courier and Delivery Services	49,528	-
Drivers Licence & Permit Cost	-	47,718
Electricity Pre Paid Vendors Commissions	681,170	912,716
Entertainment	113,257	272,265
Events & Festivals	-	13,692
External Newsletters	-	42,697
Fleet Management System	-	241,580
Fuel	7,309,044	4,175,573
General Clean-up	-	261,600
Gift and Promotions	73,571	-
Grant Funded Projects	-	344,730
Hire	8,542,588	5,737,488
Insurance	1,784,234	843,354
Licence Fees	3,385,259	2,525,526
Learnerships and Internships	8,816,452	-
Materials and Stores	-	4,229
Mayoral events and projects	-	201,840
Other	328,720	996,071
Postage	815,848	51,551
Printing and Stationary	27,844	123,638
Protective Clothing	1,576,647	1,392,663
Refuse Recycling	-	24,431
Rent: Other	-	197,649
Repairs	-	782,764
Skills Development Levy	57,183	1,703,756
Subscription and Membership Fees	2,160,593	2,011,876
Systems support	3,606,288	2,930,915
Telecommunication	1,653,501	1,981,812
Travelling and Subsistence	1,172,661	2,554,318
Training	-	1,176,651
Union Representative	84,107	87,665
Ward Committees	544,467	241,561
Total Operational Cost	51,961,755	38,471,385

40 CORRECTION OF ERRORS IN TERMS OF GRAP 3

Prior year adjustments due to non-compliance with Accounting policy and errors

- 40.01 (a)** During 2013 annual levies were incorrectly credited against the debtors control account in the General Ledger. This error is now retrospectively corrected with the following entries : (Ct) Accumulated Surplus- (prior years) R1 662 368 (Dt) Trade and Other Receivables from Exchange Transactions R1 356 299 (Dt) Receivables from None Exchange Transactions R306 069
- (b)** With the tendering process to rehabilitate the closed landfill site, Department of Water Affairs has demanded a new design with the result that the rehabilitation provision was incorrectly under provided in the past. This is now corrected with the following entries : (Dt) Accumulated Surplus-(prior years) R7 307 580, (Dt) Accumulated Surplus-(current year) Finance charges R1 882 363.82 (Ct) Provisions R9 189 943
- (c)** During the assets verification process, it was found that land was transferred to the municipality effective from the previous year but not capitalized. These assets are now recognised at cost with the following entries: (Dt) Property, Plant and Equipment - Land R4 205 000 and (Ct) Accumulated Surplus prior year R4 205 000

	2017	2016
	R	R
40.02 Accumulated Surplus		
Balance previously reported	771,056,971	700,612,173
Correction of error -see note 40,01(a)	1,662,368	1,662,368
Correction of error -see note 40,01(b)	(9,189,943)	(7,307,580)
Correction of error -see note 37,01(c)	4,205,000	
Restated balance 30/06/2017	<u><u>767,734,396</u></u>	<u><u>694,966,961</u></u>
40.03 Trade and Other Receivables from Exchange Transactions		
Balance previously reported	32,929,838	29,666,510
Correction of error -see note 40,01(a)	1,356,299	1,356,299
Restated balance 30/06/2017	<u><u>34,286,137</u></u>	<u><u>31,022,809</u></u>
40.04 Receivables from non-exchange transactions		
Balance previously reported	22,587,722	17,945,886
Correction of error -see note 40,01(a)	306,069	306,069
Restated balance 30/06/2017	<u><u>22,893,791</u></u>	<u><u>18,251,955</u></u>
40.05 Property Plant and Equipment		
Balance previously reported	944,124,212	850,663,106
Correction of error -see note 40,01(c)	4,205,000	-
Restated balance 30/06/2017	<u><u>948,329,212</u></u>	<u><u>850,663,106</u></u>
40.06 Provisions		
Balance previously reported	14,553,336	15,391,540
Correction of error -see note 40,01(b)	9,189,943	7,307,580
Restated balance 30/06/2017	<u><u>23,743,279</u></u>	<u><u>22,699,119</u></u>
40.07 Statement of Financial Performance		
	2017	2016
	R	R
Balance previously reported	88,444,798	
Correction of error -see note 40,01(b)	(1,882,364)	
Finance Costs	(1,882,364)	
Restated balance 30/06/2017	<u><u>86,562,434</u></u>	-

41 RE-CLASSIFICATIONS IN TERMS OF GRAP 1.49

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has realigned some items in the financial statements with item segments of mSCOA. The result of this process was a reclassification and naming of items in the financial statements. The reclassifications of 2017 audited amounts are summarised as follows:

RE-CLASSIFICATIONS-STATEMENT OF FINANCIAL PERFORMANCE	Now reported 2017 R	Previously reported 2017 R
REVENUE		
Revenue from Non-exchange Transactions		
Taxation Revenue		
Property taxes	112,519,143	112,556,121
Transfer Revenue		
Government Grants and Subsidies-capital	81,804,891	81,804,891
Government Grants and Subsidies-operational	100,363,103	100,363,103
Public Contributions and Donations	149,111	993,370
Contributed Property,Plant and Equipment	94,753	94,753
Other Revenue		
Actuarial Gains	-	8,461,659
Fines, Penalties and Forfeits	29,935,122	29,231,854
Interest,Dividends and Rent on Land	-	-
Licences and Permits	-	-
Third Party Payments	-	624,257
Revenue from Exchange Transactions		
Service Charges	251,670,547	250,094,254
Rental from Fixed Assets	1,683,224	-
Rental of Facilities and Equipment	-	1,462,374
Interest Earned - external investments	10,366,703	10,366,703
Interest Earned - outstanding receivables	6,816,522	6,816,522
Interest,Dividends and Rent on Land	-	-
Agency Services	1,518,035	1,518,035
Other Income	-	11,508,665
Operational Revenue	1,476,204	-
Stock Adjustments	-	35,689
Sales of Goods and Rendering of Services	9,121,668	-
Gain on disposal of PPE	-	801,408
Licences and Permits	210,965	210,965
EXPENDITURE		
Employee related costs	194,085,751	189,893,260
Remuneration of Councillors	5,359,837	5,359,837
Bad Debts Written-off	6,016,213	6,016,213
Collection Cost	-	778,590
Debt Impairment	-	31,491,196
Depreciation and Amortisation	24,948,555	24,948,555
Impairments/Write-Offs	-	187,896
Inventory Consumed	13,802,345	-
Interest,Dividends and Rent on Land	-	-
Actuarial losses	-	2,396,195
Finance Costs	15,286,198	23,642,757
Bulk Purchases	104,253,188	104,253,188
Contracted Services	72,411,339	34,305,104
Transfers and Subsidies	8,818,667	4,000,000
Operating Leases	2,863,547	-
Operational Cost	38,471,385	-
Loss on Disposal of PPE	-	2,126,172
General Expenses	-	99,100,863
Inventories:(Write-down)/ Reversals to Net Realisable Value	(826,148)	-
(Impairment Loss)/Reversal of Impairment Loss on Receivables	31,491,196	-
(Impairment Loss)/Reversal of Impairment Loss on Fixed Assets	187,896	-
(Gains/Loss) on Sale of Fixed Assets	1,324,764	-
Water Losses	790,459	-

41.01 Property taxes	2017
Balance previously reported	112,556,121
Transfer from General Expenditure	(36,977)
Restated balance 30/06/2017	112,519,143
Previously reported	
Rateable Land and Buildings	
Residential, Industrial, Rural and Other	102,060,356
Commercial	8,536,123
State	1,959,642
	112,556,121
Now reported	
Rateable Land and Buildings	
Residential, Industrial, Rural and Other	102,023,379
Commercial	8,536,123
State	1,959,642
	112,519,143
41.02 Actuarial Gains	-
Balance previously reported	8,461,659
Transfer to Employee Cost	(8,461,659)
Restated balance 30/06/2017	-
41.03 Public Contributions and Donations	
Balance previously reported	993,370
Transfer to Service Charges	(993,370)
Transfer from Other Income	149,111
Restated balance 30/06/2017	149,111
Previously reported	
Augmentation Fees: Electricity	621,663
Augmentation Fees: Water	14,140
Augmentation Fees: Sewerage	357,568
	993,370
Now reported	
Contributions	149,111
	149,110
41.04 Fines, Penalties and Forfeits	
Balance previously reported	29,231,854
Transfer from Other Income	703,268
Restated balance 30/06/2017	29,935,122
41.05 Third Party Payments	
Balance previously reported	624,257
Transfer to Operational Revenue	(624,257)
Restated balance 30/06/2017	-
41.06 Service Charges	
Balance previously reported	250,094,254
Transfer from Other Income	582,922
Transfer from Public Contributions and Donations	993,370
Restated balance 30/06/2017	251,670,546
Previously reported	
Electricity charges	135,846,450
Water charges	57,922,395
Refuse removal charges	39,634,629
Sewerage and Sanitation Charges	66,045,588
	299,449,062
Less: Rebates	(49,354,808)
	250,094,254
Reported now	
Electricity charges	136,933,400
Water charges	57,985,400
Refuse removal charges	39,676,935
Sewerage and Sanitation Charges	66,429,620
	301,025,354
Less: Rebates	(49,354,808)
	251,670,547

41.07 Rental from Fixed Assets	2017
Balance previously reported	-
Transfer from Rental of Facilities and Equipment	1,462,374
Transfer from Other Income	220,850
Restated balance 30/06/2017	<u><u>1,683,224</u></u>
41.08 Rental of Facilities and Equipment	
Balance previously reported	1,462,374
Transfer to Rental from Fixed Assets	(1,462,374)
Restated balance 30/06/2017	<u><u>-</u></u>
41.09 Other Income	
Balance previously reported	11,508,665
Transfer to Sales of Goods and Rendering of Services	(9,121,668)
Transfer to Operational Revenue	(851,947)
Transfer to Rental From Fixed Assets	(220,850)
Transfer to Public Contributions and Donations	(149,111)
Transfer to Service Charges	(582,922)
Transfer to Contracted Services	121,100
Transfer to Fines, Penalties and Forfeits	(703,268)
Restated balance 30/06/2017	<u><u>-</u></u>
Previously reported	
Boat Launching Fees	102,802
Building Plan Fees	2,549,624
Call Out Fees	1,634
Cemetery Fees	29,950
Collection Fees recovered	435,596
Connection Fees	319,084
Conservancy Fees	1,501,205
Fire fighting fees	1,384,335
Fuel sales	2,877,960
Landing Fees	284,951
List of building plans	5,001
Mayoral Golf Day	49,825
Penalties : Damaged Meters	52,943
Pre paid unblocking fee	24,107
Re/disconnections	43,288
Services Connections	153,905
Town Planning Fees	467,076
Wheelie Bines Sales	42,307
Sundries.	1,183,072
	<u><u>11,508,665</u></u>
41.10 Operational Revenue	
Balance previously reported	-
Transfer from Third Party Payments	624,257
Transfer from Other Income	851,947
Restated balance 30/06/2017	<u><u>1,476,204</u></u>
41.11 Stock Adjustments	
Balance previously reported	35,689
Transfer to Inventory Consumed	(35,689)
Restated balance 30/06/2017	<u><u>-</u></u>
41.12 Inventories:(Write-down)/ Reversals to Net Realisable Value	
Balance previously reported	-
Transfer from Stock adjustments	35,689
Transfer to Water Losses	790,459
Restated balance 30/06/2017	<u><u>826,148</u></u>
41.13 Water Losses	
Balance previously reported	-
Transfer from Inventories:(Write-down)/ Reversals to Net Realisable Value	790,459
Restated balance 30/06/2017	<u><u>790,459</u></u>

41.14 Sales of Goods and Rendering of Services	2017
Balance previously reported	-
Transfer from Other Income	9,121,668
Restated balance 30/06/2017	<u><u>9,121,668</u></u>
41.15 Gain on disposal of PPE	
Balance previously reported	801,408
Transfer to Gains/Loss on Sale of Fixed Assets	(801,408)
Restated balance 30/06/2017	<u><u>-</u></u>
41.16 Employee related costs	
Balance previously reported	189,893,260
Transfer from Actuarial Gains	(8,461,659)
Transfer from Actuarial Losses'	2,396,195
Transfer from Finance Charges	8,356,559
Transfer from General Expenditure	1,901,397
Restated balance 30/06/2017	<u><u>194,085,752</u></u>
Previously reported	
Salaries and Wages	109,500,975
Contributions to UIF and pensions	17,922,262
Bonuses	7,341,132
Performance Bonus	348,738
Overtime payments	9,620,470
Standby Allowance	3,203,896
Travelling Allowance and subsistence and other Allowances	11,347,167
Housing Benefits and Allowance	1,045,018
Medical Aid contributions	13,268,748
Contributions to Group Insurance	3,333,642
Contributions to Leave	4,874,973
Contribution to Post Employment Medical	7,696,513
Contribution to Long Service awards	389,726
	<u><u>189,893,260</u></u>
Reported now	
Salaries and Wages	111,402,373
Contributions to UIF and pensions	17,922,262
Medical Aid contributions	13,268,748
Overtime payments	9,620,470
Bonuses	7,341,132
Travelling Allowance and subsistence and other Allowances	11,347,167
Housing Benefits and Allowance	1,045,018
Contributions to Leave	4,874,973
Contributions to Group Insurance	3,333,642
Standby Allowance	3,203,896
Contribution to Long Service awards	3,060,555
Contribution to Post Employment Medical	7,316,779
Performance Bonus	348,738
	<u><u>194,085,752</u></u>
41.17 Collection Cost	
Balance previously reported	778,590
Transfer to Contracted Services	(778,590)
Restated balance 30/06/2017	<u><u>-</u></u>
41.18 Debt Impairment	
Balance previously reported	31,491,196
Transfer to (Impairment Loss) Reversal of Impairment Loss on receivables	(31,491,196)
Restated balance 30/06/2017	<u><u>-</u></u>
41.19 (Impairment Loss) Reversal of Impairment Loss on receivables	
Balance previously reported	-
Transfer from Debt Impairment	31,491,196
Restated balance 30/06/2017	<u><u>31,491,196</u></u>
41.20 Impairments/Write-Offs	
Balance previously reported	187,896
Transfer to (Impairment Loss) Reversal of Impairment Loss on fix assets	(187,896)
Restated balance 30/06/2017	<u><u>-</u></u>

41.21 (Impairment Loss) Reversal of Impairment Loss on fix assets	2017
Balance previously reported	-
Transfer to (Impairment Loss) Reversal of Impairment Loss on fix assets	187,896
Restated balance 30/06/2017	<u><u>187,896</u></u>
41.22 (Gains/Loss) on Sale of Fixed Assets	
Balance previously reported	-
Transfer from Loss on disposal of PPE	801,408
Transfer from Gain on disposal of PPE	(2,126,172)
Restated balance 30/06/2017	<u><u>(1,324,764)</u></u>
41.23 Inventory Consumed	
Balance previously reported	-
Transfer from General Expenses	13,802,345
Restated balance 30/06/2017	<u><u>13,802,345</u></u>
41.24 Actuarial losses	
Balance previously reported	2,396,195
Transfer to Employee Cost	(2,396,195)
Restated balance 30/06/2017	<u><u>-</u></u>
41.25 Finance Costs	
Balance previously reported	23,642,757
Transfer to Employee Cost	(8,356,559)
Restated balance 30/06/2017	<u><u>15,286,198</u></u>
41.26 Contracted Services	
Balance previously reported	34,305,104
Transfer to Operational Cost	(2,513,249)
Transfer from Collection Cost	778,590
Transfer from Other Income	121,100
Transfer from General Expences	39,719,793
Restated balance 30/06/2017	<u><u>72,411,338</u></u>
41.27 Transfers and Subsidies	
Balance previously reported	4,000,000
Transfer from General Expences	4,818,667
Restated balance 30/06/2017	<u><u>8,818,667</u></u>
41.28 Operating Leases	
Balance previously reported	-
Transfer from General Expenses	2,863,547
Restated balance 30/06/2017	<u><u>2,863,547</u></u>
41.29 Loss on Disposal of PPE	
Balance previously reported	2,126,172
Transfer to Gains/(Loss) on Sale of Fixed Assets	(2,126,172)
Restated balance 30/06/2017	<u><u>-</u></u>
41.30 General Expenses	
Balance previously reported	99,100,863
Transfer to Contracted Services	(39,719,793)
Transfer to Employee Cost	(1,901,397)
Transfer to Invenrory Consumed	(13,802,345)
Transfer to Operating Leases	(2,863,547)
Transfer to Property Tax	(36,977)
Transfer to Transfers and Subsidies	(4,818,667)
Transfer to Operational Cost	(35,958,137)
Restated balance 30/06/2017	<u><u>-</u></u>
Previously reported	
Advertising	617,543
Audit Fees	2,158,288
Bank Charges	2,235,864
Blue Flag Facilities	40,495
Bursaries	1,569,688
Chemicals	1,757,466

Communication	100,215
Community Development Projects	2,786,198
Congresses and Seminars	747,598
Connection Fees - Services	110,923
Consulting and Professional Fees	4,384,586
Corporate Branding	34,741
Disaster Relief	1,429,823
Drivers Licence & Permit Cost	47,718
Electricity Pre Paid Vendors Commissions	912,716
Electricity Supply	702
Entertainment	346,200
Events & Festivals	1,796,943
External Newsletters	42,697
Fleet Management System	241,580
Fuel	4,175,573
General Clean-up	819,208
Grant Funded Projects	5,976,625
Hire & Maintenance	2,983,810
Hire of Vehicles	767,792
Housing Projects	17,818,511
Insurance	843,354
Laboratory Fees	164,124
Legal Expenses	5,541,127
Licence Fees	2,525,526
Materials and Stores	5,954,022
Mayoral events and projects	2,501,655
Membership fees SALGA	1,894,889
Pest Control	89,697
Postage	51,551
Printing and Stationary	952,513
Protective Clothing	1,392,663
Refuse Recycling	432,181
Rent: Other	2,293,404
Skills Development Levy	1,703,756
Subscription and Membership Fees	116,987
Subsidized Services	36,977
Systems support	480,839
TASK contribution	123,155
Telecommunication	1,981,812
Telemetry Systems	21,440
Training	1,294,999
Travelling and Subsistence	2,554,318
Vehicle Operating Cost	2,894,972
Ward Committees	241,561
Water supply purchase	958,668
Wheelie Bins	419,880
Other	7,731,295
Total General Experiences	<u><u>99,100,863</u></u>

41.31 Operational Cost

Balance previously reported	-
Transfer from General Experiences	35,958,137
Transfer from Contracted Services	2,513,249
Restated balance 30/06/2017	<u><u>38,471,385</u></u>

RE-CLASSIFICATIONS-STATEMENT OF FINANCIAL POSITION

41.32 Payables from Exchange Transactions

Balance previously reported	67,786,568
Transfer to Consumer Deposits	(67,210)
Transfer to Trade and Other Payables from Exchange Transactions	(67,719,359)
Restated balance 30/06/2017	<u><u>-</u></u>

41.33 Trade and Other Payables from Exchange Transactions

Balance previously reported	-
Transfer from Payables from Exchange Transactions	67,719,359
Restated balance 30/06/2017	<u><u>67,719,359</u></u>

41.34 Consumer Deposits

Balance previously reported	6,224,457
Transfer from Payables from Exchange Transactions	67,210
Restated balance 30/06/2017	<u><u>6,291,667</u></u>

42	RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS	2018	2017
		R	R
	Surplus for the year	62,842,124	86,562,434
	Adjustments for:		
	Depreciation	30,501,841	24,857,707
	Amortisation of Intangible Assets	98,369	90,848
	Asset Impairment	-	187,896
	Contributed Property, Plant and Equipment	-	(94,753)
	Grants received	192,487,194	161,173,215
	Grants recognised as revenue	(178,620,260)	(182,167,993)
	Gains/(Loss) on Sale of Fixed Assets	3,697,898	1,324,764
	(Impairment Loss)/Reversal of Impairment Loss on Receivables	63,379,098	31,491,196
	Bad Debts Written-off	31,341,357	6,016,213
	Contribution to employee benefits-current	2,882,439	3,963,031
	Contribution from/to employee benefits-non current	2,306,601	7,958,732
	Contribution to non current provision	492,191	
	Provisions	600,000	1,044,160
	Stock Adjustment		(35,689)
	Water Losses	2,262,599	790,459
	Inventories:(Write-down)/ Reversals to Net Realisable Value	(2,919,744)	(790,459)
	Operating lease income accrued	(37,622)	(66,866)
	Operating lease expenses accrued	64,243	(130,511)
	Operating Surplus before changes in working capital	211,378,329	142,174,385
	Changes in working capital	(97,225,510)	(24,607,337)
	(Decrease)/Increase in Payables from Exchange Transactions	6,850,176	22,772,846
	Increase in Taxes	(5,448,828)	594,743
	Decrease in Inventory	(1,606,934)	(2,562,353)
	(Increase) in Trade and other receivables	(97,019,924)	(45,412,572)
	Cash generated by operations	114,152,819	117,567,048
43	CASH AND CASH EQUIVALENTS		
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Call Investments Deposits - Note 23	81,314,177	53,010,079
	Cash Floats - Note 23	15,180	12,020
	Bank - Note 23	59,483,835	73,033,220
	Total cash and cash equivalents	140,813,192	126,055,319
44	RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES	2018	2017
		R	R
	Investments	6,852,559	6,102,365
	Cash and Cash Equivalents - Note 43	140,813,192	126,055,319
		147,665,751	132,157,684
	Non -available cash	15,360,736	14,269,655
	Consumer Deposits	7,996,388	6,291,666
	Unspent Committed Conditional Grants - Note 10	2,120,348	2,461,793
	DBSA -Nedbank collateral	5,244,000	5,244,000
	Unspent Public Contributions	-	272,196
	Resources available for working capital requirements	132,305,015	117,888,028
45	UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
	Long-term Liabilities - Note 3	161,234,098	148,524,403
	Used to finance property, plant and equipment - at cost	(161,234,098)	(148,524,403)
		-	-
	Cash set aside for the repayment of long-term liabilities	-	-
	Cash invested for repayment of long-term liabilities	-	-
	Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.		

	2018 R (Actual)	2018 R (Budget)	2018 R (Variance)	2018 (%)
46.01 Operational				
Revenue by source				
Property taxes	121,810,210	122,534,667	(724,457)	-0.59%
Government Grants and Subsidies-capital	51,016,531	50,200,000	816,531	1.63%
Government Grants and Subsidies-operational	127,603,728	131,942,781	(4,339,053)	-3.29%
Public Contributions and Donations	-	-	-	0.00%
Fines, Penalties and Forfeits	52,036,131	23,024,470	29,011,661	126.00%
Fines written off-recovered	7,702,196	-	7,702,196	100.00%
Interest,Dividends and Rent on Land	1,963,169	-	1,963,169	100.00%
Service Charges	278,311,680	296,389,175	(18,077,495)	-6.10%
Rental from Fixed Assets	1,102,477	10,033,600	(8,931,123)	-89.01%
Interest Earned - external investments	12,303,972	8,501,560	3,802,412	44.73%
Interest Earned - outstanding receivables	6,025,214	5,434,941	590,273	10.86%
Agency Services	1,664,737	1,319,100	345,637	26.20%
Operational Revenue	2,943,380	1,907,420	1,035,960	54.31%
Sales of Goods and Rendering of Services	6,496,267	7,019,291	(523,024)	-7.45%
Licences and Permits	572,313	6,314,200	(5,741,887)	-90.94%
	671,552,006	664,621,205	6,930,801	1.04%
Expenditure by nature				
Employee related costs	197,932,052	211,863,540	(13,931,488)	-6.58%
Remuneration of Councillors	6,038,330	6,143,107	(104,777)	-1.71%
Bad Debts Written-off	31,341,357	-	31,341,357	100.00%
Depreciation and Amortisation	30,600,210	27,174,655	3,425,555	12.61%
Inventory Consumed	21,493,294	21,653,616	(160,322)	-0.74%
Finance Costs	17,657,832	15,571,993	2,085,839	13.39%
Bulk Purchases	107,091,556	104,120,200	2,971,356	2.85%
Contracted Services	68,261,801	91,310,078	(23,048,277)	-25.24%
Transfers and Subsidies	5,775,956	5,833,000	(57,044)	-0.98%
Operating Leases	4,043,104	4,292,179	(249,075)	-5.80%
Operational Cost	51,961,755	63,650,673	(11,688,918)	-18.36%
	542,197,247	551,613,041	(9,415,794)	-1.71%
Operating Surplus	129,354,758	113,008,164	16,346,594	0
Inventories:(Write-down)/ Reversals to Net Realisable Value	(2,919,744)	35,100	(2,954,844)	-8418.36%
(Impairment Loss)/Reversal of Impairment Loss on Receivables	63,379,098	21,437,088	41,942,010	195.65%
(Impairment Loss)/Reversal of Impairment Loss on Fixed Assets	-	-	-	0.00%
(Gains/Loss) on Sale of Fixed Assets	3,790,681	(751,920)	4,542,601	-604.13%
Water Losses	2,262,599	-	2,262,599	100.00%
Net Surplus for the year	62,842,124	92,287,896	(29,445,772)	-31.91%
	2018 R (Actual)	2018 R (Budget)	2018 R (Variance)	2018 (%)
46.02 Expenditure by Vote				
<i>Material variances are considered for variances larger than R6 million</i>				
Community Services	200,618,163	160,125,000	40,493,163	25.29%
Corporate Services	30,919,797	37,550,000	(6,630,203)	-17.66%
Council	6,536,140	6,916,000	(379,860)	-5.49%
Financial Services	58,896,357	68,926,000	(10,029,643)	-14.55%
Municipal Services and Infrastructure Development	258,731,003	243,873,000	14,858,003	6.09%
Office of the Municipal Manager	22,476,245	30,364,000	(7,887,755)	-25.98%
Strategic Services	27,549,422	25,332,000	2,217,422	8.75%
	605,727,127	573,086,000	32,641,127	5.70%
Reasons for variances: see note 59				
	2018 R (Actual)	2018 R (Budget)	2018 R (Variance)	2018 (%)
46.03 Capital expenditure by vote				
<i>Material variances are considered for variances larger than R6 million</i>				
Community Services	18,315,072	17,896,673	418,399	2.34%
Corporate Services	167,988	1,230,597	(1,062,609)	-86.35%
Council	-	-	-	0.00%
Financial Services	2,398,126	2,040,000	358,126	17.56%
Strategic Services	388,780	1,924,000	(1,535,220)	-79.79%
Municipal Services and Infrastructure Development	91,792,155	98,904,730	(7,112,575)	-7.19%
	113,062,121	121,996,000	(8,933,879)	-7.32%
Reasons for variances: see note 59				

47 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

2018
R

2017
R

47.01 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance
Unauthorised expenditure current year - capital
Unauthorised expenditure current year - operating
Written off by council
Unspent Grants not cash backed

-	-
776,524	
57,568,588	
-	-

Unauthorised expenditure awaiting authorisation

58,345,112	-
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2018
R

2017
R

47.02 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance
Fruitless and wasteful expenditure current year
Written off by Council
Fruitless and wasteful expenditure awaiting further action

305,950	262,200
-	43,750
(305,950)	-
-	305,950

Incident	Disciplinary steps/criminal proceedings
<i>Interest payed on overdue account Sentraal - Suid Koop</i>	
<i>Interest payed on overdue account ABSA Fleet Management</i>	
<i>Interest payed on overdue account ESKOM</i>	

(386)	386
(43,101)	43,101
(263)	263
(43,750)	43,750

47.03 Irregular expenditure

Reconciliation of irregular expenditure:

	2018 R	2017 R
Opening balance	16,781,473	1,618,307
Irrecoverable by Council	(16,616,164)	
Irregular expenditure current year	16,714,207	15,163,166
Irrecoverable by Council	(480,673)	
Irregular expenditure awaiting further action	16,398,843	16,781,473

Incident	Disciplinary steps/criminal proceedings		
Contract awarded to a contractor in which a newly appointed member of staff had an interest	Council referred to MPAC		45,075
Legal Fees for Conveyancing of Subsidised Housing- Not procured in terms of SCM Policy from Nandi Bulabula	Condoned by Council		833,878
Legal Fees for Conveyancing of Subsidised Housing- Not procured in terms of SCM Policy from Mosdel Pama Cox	Condoned by Council		739,354
Legal Fees for Property Transfer Fees of Low-Cost Houses in favour of Nandi BulaBula	Condoned by Council		248,850
Rental of Office Accommodation beyond the contract end date without extending the contract in terms of MFMA Section 116(3) from Homeplett Properties	Condoned by Council		248,711
Rental of Office Accommodation beyond the contract end date without extending the contract in terms of MFMA Section 116(3) from Homeplett Properties	Condoned by Council		91,584
Rental of Office Accommodation beyond the contract end date without extending the contract in terms of MFMA Section 116(3) from Homeplett Properties	Condoned by Council		35,496
Procurement not on lowest acceptable quote from Shekyna Projects	Condoned by Council		15,000
Procurement not on lowest acceptable quote from Shekyna Projects	Condoned by Council		24,000
Procurement not on lowest acceptable quote from Iqabaka Trading	Condoned by Council		24,000
Procurement not on lowest acceptable quote from S'phetezona Trading & Investments Trading	Condoned by Council		6,000
Procurement not on lowest acceptable quote from S'phetezona Trading & Investments Trading	Condoned by Council		18,600
Procurement not on lowest acceptable quote from Azoma Trading	Condoned by Council		4,950
Legal Fees for Property Transfer Fees of Low-Cost Houses in favour of Nandi BulaBula	Condoned by Council		90,900
Legal Fees for Property Transfer Fees of Low-Cost Houses in favour of Mosdell Pama	Condoned by Council		162,081
Legal Fees for Property Transfer Fees of Low-Cost Houses in favour of Mosdell Pama	Condoned by Council		10,469
Legal Fees for Property Transfer Fees of Low-Cost Houses in favour of Nandi BulaBula	Condoned by Council		56,210
The procurement of Pest Control & Hygiene Services without following a Competitive Bidding process in terms of Section 19 of the SCM Policy from Rentokill.	Condoned by Council		101,934
The continued procurement of Conveyancing Services for Low Cost Houses without following due procurement process from Mosdell, Pama & Cox Attorneys. The AG has already re-classified similar transactions during	Condoned by Council		144,307
The procurement of forensic investigation services without complying with Section 19 of the SCM Policy or the Regulations on Financial Misconduct from DE SWART VOGEL MYAMBO ATTORNEYS.	Condoned by Council		1,054,854
Rental of Office Accommodation beyond the contract end date without extending the contract in terms of MFMA Section 116(3) in favour of Home Plett Properties	Reported to Council		31,035
Rental of Office Accommodation beyond the contract end date without extending the contract in terms of MFMA Section 116(3) in favour of Home Plett Properties	Condoned by Council		263,442

<i>The continued procurement of legal services without following procurement processes in terms of Section 19 of the SCM Policy from Hutchinson, Du Plessis, Robin & Stoloff Attorneys. The AG re-classified expenditure related to legal services as Irregular Expenditure for the 2015/16 financial year and this approach is consistent.</i>	<i>Condoned by Council</i>		516,133
<i>The continued procurement of a Performance Management System without following procurement processes in terms of Section 19 of the SCM Policy from Ignite Advisory Services (Pty) Ltd. The CFO & MM did not approve application to deviate in terms of Section 36 of the SCM Policy.</i>	<i>Condoned by Council</i>		557,498
<i>The procurement of Debt Collection services without following a Competitive Bidding Process as per Section 19 of the SCM Policy from Mosdel Pama Cox. The AG has already re-classified similar transactions during 2015/16 as Irregular Expenditure</i>	<i>Condoned by Council</i>		627,156
<i>The procurement of professional services for the drafting of a Youth Development Plan without following a procurement process in terms of Section 18 of the SCM Policy from Musole Business Partners. The Deviation considered and approved by the Accounting Officer deemed inadequate.</i>	<i>Condoned by Council</i>		60,000
<i>The continued procurement of Conveyancing Services for Low Cost Houses without following due procurement processes from Mosdell, Pama & Cox Attorneys. The AG has already re-classified similar transactions during 2015/16 as Irregular Expenditure</i>	<i>Condoned by Council</i>		790,500
<i>Rental of Office Accommodation beyond the contract end date without extending the contract in terms of MFMA Section 116(3) from Remax</i>	<i>Condoned by Council</i>		235,456
<i>The procurement of Debt Collection services without following a Competitive Bidding Process as per Section 19 of the SCM Policy from Mosdel Pama Cox. The AG has already re-classified similar transactions during 2015/16 as Irregular Expenditure</i>	<i>Condoned by Council</i>		144,307
<i>Procurement of Rental Vehicle for M van Rooyen without following due SCM Process from Avis</i>	<i>Reported to Council</i>		16,936
<i>Procurement of Rental Vehicle for Ndongeni without following due SCM Process from Avis</i>	<i>Condoned by Council</i>		7,550
<i>Procurement of Rental Vehicle for Wienand without following due SCM Process from Avis</i>	<i>Condoned by Council</i>		7,460
<i>Procurement of Rental Vehicle, Toyota Quest, for M van Rooyen without following due SCM Process from Avis</i>	<i>Condoned by Council</i>		1,145
<i>Procurement of Rental Vehicle, Toyota Quest, for M van Rooyen without following due SCM Process from Avis</i>	<i>Condoned by Council</i>		10,619
<i>Procurement of Rental Vehicle, Toyota Quest, for M van Rooyen without following due SCM Process from Avis</i>	<i>Condoned by Council</i>		10,717
<i>Procurement of Rental Vehicle for Executive Mayor without following due SCM Process from AVIS</i>	<i>Condoned by Council</i>		30,521
<i>Procurement of Rental Vehicle for Executive Mayor without following due SCM Process from AVIS</i>	<i>Condoned by Council</i>		6,930
<i>Procurement of Rental Vehicle for Executive Mayor without following due SCM Process from AVIS- OR Tambo 09-13 March 2017</i>	<i>Condoned by Council</i>		5,951
<i>Procurement of Events & Catering Services from the Dunes, by Mr Smuts Mhana without following due SCM Process</i>	<i>Condoned by Council</i>		6,750

<i>Procurement of Events & Catering Services from the Dunes, by Mr Smuts Mhana without following due SCM Process</i>	<i>Condoned by Council</i>		4,289
<i>The procurement of Debt Collection services without following a Competitive Bidding Process as per Section 19 of the SCM Policy from Mosdel Pama Cox. The AG has already re-classified similar transactions during 2015/16 as Irregular Expenditure</i>	<i>Condoned by Council</i>		76,016
<i>The procurement of events and catering services from various service providers without complying with Section 16 of the SCM Policy in terms of a Voucher Book System</i>	<i>Condoned by Council</i>		10,410
<i>The procurement of events and catering services from various service providers without complying with Section 16 of the SCM Policy in terms of a Voucher Book System</i>	<i>Condoned by Council</i>		51,925
<i>The procurement of events and catering services from various service providers without complying with Section 16 of the SCM Policy in terms of a Voucher Book System</i>	<i>Condoned by Council</i>		5,240
<i>The procurement of events and catering services from various service providers without complying with Section 16 of the SCM Policy in terms of a Voucher Book System</i>	<i>Condoned by Council</i>		9,079
<i>The procurement of events and catering services from various service providers without complying with Section 16 of the SCM Policy in terms of a Voucher Book System</i>	<i>Condoned by Council</i>		3,552
<i>The procurement of events and catering services from various service providers without complying with Section 16 of the SCM Policy in terms of a Voucher Book System</i>	<i>Condoned by Council</i>		2,468
<i>The repeated procurement of professional consultancy services on an open-ended contract in terms of a deviation from the requirements of the SCM Policy from Ingerop</i>	<i>Condoned by Council</i>		82,326
<i>The repeated procurement of professional consultancy services on an open-ended contract in terms of a deviation from Ingerop</i>	<i>Condoned by Council</i>		358,504
<i>The procurement of DJ Services for Heritage Day from Ivani Communications without obtaining 3 quotations as per Section 17 of the SCM Policy</i>	<i>Condoned by Council</i>		27,900
<i>The procurement of Debt Collection services without following a Competitive Bidding Process as per Section 19 of the SCM Policy from Mosdel Pama Cox. The AG has already re-classified similar transactions during 2015/16 as Irregular Expenditure</i>	<i>Reported to Council</i>		72,263
<i>The procurement of forensic investigation services without complying with Section 19 of the SCM Policy or the Regulations on Financial Misconduct from DE SWART VOGEL MYAMBO ATTORNEYS.</i>	<i>Condoned by Council</i>		1,729,097
<i>The procurement of events and catering services from various service providers without complying with Section 16 of the SCM Policy in terms of a Voucher Book System</i>	<i>Condoned by Council</i>		98,782
<i>SOUTHERN CAPE FIRE PROTECTION ASS. Procurement without following due process.</i>	<i>Condoned by Council</i>		6,430
<i>SPORTS CENTRE Procurement without following due process.</i>	<i>Condoned by Council</i>		2,312
<i>JANSEN'S TRAVEL Procurement without following due process.</i>	<i>Condoned by Council</i>		14,700

<i>AIR LIQUIDE Procurement without following due process.</i>	<i>Condoned by Council</i>		4,794
<i>AGITO MINDS Procurement without following due process.</i>	<i>Condoned by Council</i>		4,939
<i>Procurement of Rental Vehicle for M Gqodwana in Mayors Office without following due SCM Process from Avis</i>	<i>Condoned by Council</i>		3,964
<i>Ukhana Projects CC- SCM/2017/112/STRAT- Only 2 quotes were obtained from which the provider scored the highest in functionality. Not identified in deviations register.</i>	<i>Condoned by Council</i>		97,431
<i>SCM/2017/51/COMM Weatherpruff Products Supplier is the only bid that was submitted. Not identified in deviations register.</i>	<i>Condoned by Council</i>		129,000
<i>SCM/2017/118/ENG SJ Jacobs t/a Velisas Projects and Maintenance Supplier is the only bid that was submitted. Not identified in deviations register..</i>	<i>Condoned by Council</i>		140,868
<i>SCM/2017/87/ENG Northfield Engineering (Pty) Ltd Supplier is the only bid that was submitted. Not identified in deviations register..</i>	<i>Condoned by Council</i>		170,083
<i>SCM/2017/07/FIN Incedon (Pty) Ltd Tender documentation does not specify minimum threshold for local production and content and no BBD 6.2 Local Content declaration form submitted by the supplier</i>	<i>Condoned by Council</i>		14,916
<i>SCM/2017/07/FIN Take Note Trading 245 CC Tender documentation does not specify minimum threshold for local production and content and no BBD 6.2 Local Content declaration form submitted by the supplier</i>	<i>Condoned by Council</i>		70,369
<i>SCM/2017/100/COMM Experts on the Go (Pty)Ltd Tender documentation specifies minimum threshold for local production and content, but no BBD 6.2 Local Content declaration form submitted by the supplier</i>	<i>Condoned by Council</i>		26,000
<i>No lease agreement on record between the Municipality and Mowana Properties for the lease of the Library Premises at Melvilles Corner Building for the period 01 August 2016 to 30 June 2017</i>	<i>Condoned by Council</i>		685,161
<i>The procurement of goods from MRGS Group (Pty) without submitting the award to the Bid Adjudication Committee for consideration and award</i>	<i>Condoned by Council</i>		151,535
<i>The Procurement of Security Services for Bitou Municipal Properties by Shelf Plett 40 CC t/a Isolomzi Security after the expiry of the contract on 30 June 2017, for the period 01 July to 31 December 2016</i>	<i>Condoned by Council</i>		5,398,264
<i>The Procurement of T-Shirts from Sphetezona Trading & Investments in non-compliance with the Minimum Local Content Requirements in terms of Preferential Procurement Regulation 9</i>	<i>Condoned by Council</i>		42,500

Grant Transfer by the Executive Mayor to Morester Family Funeral Services in terms of Donation to Mbele without following the appropriate process required in terms of Section 67 of the MFMA	Reported to Council	5,800	
Grant Transfer by the Executive Mayor to Morester Family Funeral Services in terms of Donation to Philander without following the appropriate process required in terms of Section 67 of the MFMA	Reported to Council	6,500	
The procurement of Decoration Services at the Nelson Mandela Day event and the Launch of the 100 day Programme from Wash for Joy. The director of the service provider is in the employ of the Bitou Municipality, therefore procurement in contravention of Section 45 of the SCM Policy	Reported to Council	9,500	
Grant Transfer by the Executive Mayor in terms of a donation towards the burial of Doreen Krige without following the appropriate process required in terms of Section 67 of the MFMA	Reported to Council	3,000	
Expenditure incurred in respect of Accommodation at O'Hanna's B&B for Lungile Mxube without obtaining 3 quotations as required in terms of Section 17 of the SCM Policy and no application to Deviate from the requirements of Section 36(1) of the Policy	Reported to Council	17,000	
Expenditure incurred in respect of Accommodation at LA Boheme B&B for Lungile Mxube without obtaining 3 quotations as required in terms of Section 17 of the SCM Policy and no application to Deviate from the requirements of Section 36(1) of the Policy	Reported to Council	3,400	
Expenditure incurred in respect of Accommodation at LA Boheme B&B for Z Wayile without obtaining 3 quotations as required in terms of Section 17 of the SCM Policy and no application to Deviate from the requirements of Section 36(1) of the Policy	Reported to Council	2,550	
Expenditure incurred for the provision of security alarm systems by ADT Security Alarms after failing to timeously commence with the procurement process in lieu of an expiring contract	Reported to Council	51,516	
The procurement of a rental vehicle from Eco Car Hire for the Executive Mayor, repeatedly on a two-week cycle for longer than 6 weeks, after undue delays experienced with the processing of an insurance claim. The expenditure incurred in terms of weeks 7-8 (28 Sept-12 October 2017) deemed irregular expenditure as the delays lead to the splitting of procurement in order to avoid a Formal Written Price Quotation process.	Reported to Council	27,538	
Procurement of Legal Services from Bradley, Conradie, Halton & Cheadle in the review matter of the arbitration award of LMR Nqogo without following a competitive bidding process as required per Section 19 of the SCM Policy	Reported to Council	57,946	
The procurement of public transport services from Nocezo M Transport for the participants in a two-day NACOSA Workshop, from Kranshoek to Kwano without obtaining 3 quotations in terms of Section 16 of the SCM Policy	Reported to Council	3,000	
Grant Transfer by the Executive Mayor to Azoma Trading for catering services at the Youth Crime Prevention Desk Week without following the appropriate process required in terms of Section 67 of the MFMA.	Reported to Council	20,000	
Grant Transfer by the Executive Mayor to Mzwandile J Melane for transporting people to a funeral from Plett to Alice without following the appropriate process required in terms of Section 67 of the MFMA.	Reported to Council	14,000	
Grant Transfer by the Executive Mayor to Selanto Xolani for transporting people to a funeral from Plett to Dimbaza without following the appropriate process required in terms of Section 67 of the MFMA.	Reported to Council	18,000	
Grant Transfer by the Executive Mayor to Landu Taxi Services for transporting people to a funeral from Plett to PE without following the appropriate process required in terms of Section 67 of the MFMA.	Reported to Council	8,000	
Procurement of Legal Services without following a competitive bidding process as required in terms of Section 19 of the SCM Policy from Mosdell, Pama & Cox Attorneys	Reported to Council	489,981	

Procurement of Legal Services without following a competitive bidding process as required in terms of Section 19 of the SCM Policy from Stadler & Swart Attorneys	<i>Reported to Council</i>	107,166	
Procurement of Legal Services without following a competitive bidding process as required in terms of Section 19 of the SCM Policy from Hutchinson, Du Plessis, Robin & Stoloff	<i>Reported to Council</i>	184,911	
Grant Transfer by the Executive Mayor for the burial of John Merwin Wildeman without following the appropriate process as required by Section 67 of the MFMA	<i>Reported to Council</i>	6,000	
Procurement of catering services from Look-Out Deck Restaurant without obtaining 3 quotations as required in terms of Section 16 of the SCM Policy	<i>Reported to Council</i>	8,939	
Procurement of catering services from Look-Out Deck Restaurant without obtaining 3 quotations as required in terms of Section 16 of the SCM Policy	<i>Reported to Council</i>	16,820	
Procurement of catering services from Look-Out Deck Restaurant without obtaining 3 quotations as required in terms of Section 16 of the SCM Policy	<i>Reported to Council</i>	1,379	
Procurement of placement of advertisement for the Request for Nomination of external members to serve on the Bitou Municipal Planning Tribunal in the George Herald by the Group Editors Company, without obtaining 3 quotations as per Section 16 of the SCM Policy. The application to deviate from the requirements were only submitted after the services have been procured.	<i>Reported to Council</i>	3,891	
Procurement of placement of advertisement for the Request for Nomination of external members to serve on the Bitou Municipal Planning Tribunal in the George Herald by the Group Editors Company, without obtaining 3 quotations as per Section 16 of the SCM Policy. The application to deviate from the requirements were only submitted after the services have been procured.	<i>Reported to Council</i>	2,890	
Procurement of catering services from LM in Plett Restaurant without obtaining 3 quotations as required in terms of Section 16 of the SCM Policy, for Organizational Redesign & Workstudy Councillors Workshop.	Reported to Council	2,030	
The procurement of a rental vehicle from Eco Car Hire for the Executive Mayor, repeatedly on a two-week cycle for longer than 12 weeks, after undue delays experienced with the processing of an insurance claim. The expenditure incurred in terms of weeks 9-10 (12-26 October 2017) deemed irregular expenditure as the delays lead to the splitting of procurement in order to avoid a Formal Written Price Quotation process.	Reported to Council	27,538	
Rental of Chemical Toilets at Beacon Way Trading Site from S'Phethezona Trading Investments CC after failing to timeously failing to renew the contract or obtaining 3 quotations in term of Section 16 of the SCM Policy.	Reported to Council	2,400	
Rental of Chemical Toilets at Beacon Way Trading Site from S'Phethezona Trading Investments CC after failing to timeously failing to renew the contract or obtaining 3 quotations in term of Section 16 of the SCM Policy.	Reported to Council	2,400	
Mayoral intervention grant transfer for Burial. GJ Dick. Morester Family Funeral Services, without following the appropriate process required in terms of Section 67 of the MFMA	Reported to Council	5,800	
Attending a Fraud & Corruption Conference without following a Procurement Process, hosted by Spectacular Training & Conferences in Cape Town over 09-10 November 2017	Reported to Council	7,969	
The procurement of Labour Law Training Services from Global Business Solutions without obtaining 3 quotations as required in terms of Section 17 of the SCM Policy	Reported to Council	12,760	

The procurement of Catering Services for the Provincial Public Participation & Communication Forum Meeting, at The Dunes without following the appropriate procurement processes.	Reported to Council	19,200	
The procurement of Catering Services for the Provincial Public Participation & Communication Forum Meeting, at The Dunes without following the appropriate procurement processes.	Reported to Council	14,700	
The procurement of Catering Services for the Ward Committee Workshop and End of Year Function, at The Dunes without following the appropriate procurement processes.	Reported to Council	25,600	
Placing of Municipal Notice regarding the Proposed Rezoning of Erf 2104, without obtaining 3 quotations, in the What's New in Plett, published by the Printshop	Reported to Council	2,632	
Placing of Municipal Notice regarding the Subdivision and Removal of Restrictive Title deed Conditions of Erf 10192 PB, without obtaining 3 quotations in the What's New in Plett, published by the Printshop.	Reported to Council	2,975	
The procurement of a rental vehicle from Eco Car Hire for the Executive Mayor, repeatedly on a two-week cycle for longer than 12 weeks, after undue delays experienced with the processing of an insurance claim. The expenditure incurred in terms of weeks 11-12 (27 October to 10 November 2017) deemed irregular expenditure as the delays lead to the splitting of procurement in order to avoid a Formal Written Price Quotation process.	Reported to Council	27,538	
The continued procurement of legal services for the transfer of subsidised housing units to beneficiaries without following a competitive bidding process from Nandi Bulabula Attorneys	Reported to Council	170,840	
The procurement of the publication of a recruitment notice for the vacancy of the Office of the HOD Community Services, Advert Notice 251/2017 from Human Communication (Pty) Ltd, without complying with the conditions of a Formal Written Price Quotation in terms of Sections 17 & 18 of the SCM Policy.	Reported to Council	33,600	
The procurement of Day and Night Security at the Private Residence of the Executive Mayor without a formal security assessment or following the appropriate competitive bidding processes from Blue Bay Guards.	Reported to Council	355,680	
The procurement of Pest Control and Hygiene Services to all Municipal departments without following a competitive bidding process	Condoned by Council	145,022	
Registration Fee for the attendance of the Leadership Development for Men and their role in Social Transformation Conference presented by Intelligence Transfer Centre CC in Johannesburg over 28-29 November 2017	Reported to Council	7,979	
The procurement of performance-related services & systems from IGNITE without following a competitive bidding process, including: 1. The Provision of Individual Performance Management Software; 2. The Monthly Hosting, Compliance Assist User, iComply User, SDBiP User, as well as Data Storage Fees for the period July - November 2017; 3. Drafting and Reporting of the Annual & Annual Performance Reports.	Condoned by Council - R 281 216. Balance to be reported to Council	476,670	
Placing of Municipal Notice regarding the Bossiesgif Qolweni Development Proposal without obtaining 3 quotations in the Bitou News, published by the Printshop	Reported to Council	3,078	
Transfer of Grant Funding to Plett Tourism for Local Events & Initiatives Support in contravention of 67 of the MFMA and without Approval by Council	Reported to Council	325,000	
Rental of Stage for 16 December Switching-on of Christmas Lights Event without advertising for at least 7 days on Website or Notice Boards from K2 Squared	Reported to Council	35,500	

Expenditure incurred for the provision of security alarm systems by ADT Security Alarms after failing to timeously commence with the procurement process in lieu of an expiring contract	Reported to Council	107,094	
The Provision of Legal Services in the urgent labour-related matter of BLM vs Senior Managers by Bradley Conradie Halton Cheadle without following a competitive bidding process	Reported to Council	246,331	
The procurement of Legal Services in various legal matters from Mosdell Pama Cox without following a competitive bidding process	Reported to Council	85,935	
The procurement of Legal Services in various legal matters from Hutchinson, Du Plessis, Robin & Stoloff without following a competitive bidding process	Reported to Council	171,652	
Placing of Municipal Notice regarding the Removal of Restrictive Conditions of Erf 181, Natures Valley without obtaining 3 quotations in the What's New in Plett, published by the Printshop	Reported to Council	2,975	
Placing of Municipal Notice regarding the use of Portion 98 of Farm 444, Plett Summer Festival, without obtaining 3 quotations in the What's New in Plett, published by the Printshop	Reported to Council	2,700	
Placing of Municipal Notice regarding the use of Portion 98 of Farm 444, Plett Summer Festival, without obtaining 3 quotations in the What's New in Plett, published by the Printshop	Reported to Council	2,804	
The Provision of Legal Services for the review of settlement agreements on behalf of Manager- HR by Bradley Conradie Halton Cheadle without obtaining 3 quotations or following a competitive bidding process	Reported to Council	37,615	
The procurement of Legal Services from Hutchinson, Du Plessis, Robin & Stoloff without following a competitive bidding process for legal services in the AB Umale matter	Reported to Council	15,332	
The procurement of Legal Services from Hutchinson, Du Plessis, Robin & Stoloff without following a competitive bidding process for legal services in the AB Umale & Plett Rage matters	Reported to Council	25,991	
The procurement of conference facilities & services from the Dunes for the Inter-Provincial SDF Forum as well as a Networking Session on 23 -24 November 2017, without following the requirements of Sections 17 & 18 of the SCM Policy	Reported to Council	79,500	
The procurement of Legal Services in various legal matters from Mosdell Pama Cox without following a competitive bidding process for December 2016	Reported to Council	106,969	
Procurement of Asbestos Surveying of Fire Damaged Buildings asfter the June fires without following the process tequired in terms of Section 17 & 18 of the SCM Policy. An application for a deviation was deemed unacceptable.	Condoned by Council	54,435	
The appointment of a Legal Advisor in the matter of BLM vs MEC for Local Government immediately after receiving an instruction to dismiss the CFO, BV Mkhafa and Head of Corporate Services, VJ Mbelani without following a Formal Written Price Quotation process as required in terms of Section 17 & 18 of Supply Chain Policy. Due to the urgency of the matter, it was impractical and impossible to follow the authorised procurement process.	Reported to Council	81,989	

The appointment of a Legal Advisor in the matter of BLM vs Municipal Manager, TC Ndlovu, and Head of Corporate Services, VJ Mbelani without following a competitive bidding process as required in terms of Section 19 Supply Chain Policy. Due to the limited timeframe allowed by the Regulations, it was impractical and impossible to follow the authorised procurement process	Reported to Council	234,494	
The appointment of a Legal Advisor in the matter of BLM vs Municipal Manager, TC Ndlovu, and Head of Corporate Services, VJ Mbelani without following a competitive bidding process as required in terms of Section 19 Supply Chain Policy. Due to the limited timeframe allowed by the Regulations, it was impractical and impossible to follow the authorised procurement process	Reported to Council	402,559	
Training on LIC by SAVE without following due process	Reported to Council	28,956	
The procurement of advertisement space in the Media 24 Group of newspapers for the posts of the HOD's Engineering & Community Services., without following due process as required by Sections 17 & 18 of the SCM Policy	Reported to Council	47,880	
Conversion of fixed frame windows into open windows for ventilation of Offices 65, 66, 67 & 68 at Melville's Corner without obtaining 3 quotations as required per Section 17 of the SCM Policy, from Kuyakhana Glass (Pty) Ltd	Reported to Council	15,893	
Legal Fees for Property Transfer Fees of Low-Cost Houses in favour of Mosdell Pama	Reported to Council	180,387	
Repair of window frame and glazing at Kranshoek Library without obtaining 3 quotations as required per Section 16 of the SCM Policy from Shauna's Glass	Reported to Council	2,671	
Grant transfer for the Mayoral Easter Tournament to the Bitou Sports Council without complying with Section 67 of the MFMA	Reported to Council	400,000	
Procurement of training services as Peace Officers for officials in the Office of the Mayor without obtaining 3 quotations as required per Section 16 of the SCM Policy, from Molao Academy	Reported to Council	5,554	
The procurement of a rental car for M Gqodwana for the period 18 July to 18 August 2017 without obtaining 3 quotations as required per Section 17 of the SCM Policy, from Avis Rent A Car	Reported to Council	18,679	
Procurement of Newspaper publication services from U Print via a single quotation for for 3 different placements at respectively R 1 600; R 920 & R 920, with a total of R 3 440. In terms of Section 16(2) of the SCM Policy the procurement required 3 quotations. Quotations were only sourced from a single potential service provider on 05 March 2018 against sequenced quotation numbers, who was subsequently instructed to publish the advertisements. In terms of Section 12(3) of the SCM Policy, the procurement of goods and services must not deliberately be split into parts of a lesser value merely to avoid complying with the requirements of the Policy.	Reported to Council	3,440	
The procurement of maintenance & support services for the Collaborator system after failing to timely commence with a competitive bidding process as undertaken in the deviation application made in 2017, as required per Section 19 of the SCM Policy	Reported to Council	333,897	
Procurement of Newspaper publication services from The Printshop for publication in the Whats New, via a single quotation for 4 different placements at R 6 156 in total. In terms of Section 16(2) of the SCM Policy the procurement required 3 quotations. Quotations were only sourced from a single potential service provider against sequenced quotation numbers, who was subsequently instructed to publish the advertisements. In terms of Section 12(3) of the SCM Policy, the procurement of goods and services must not deliberately be split into parts of a lesser value merely to avoid complying with the requirements of the Policy.	Reported to Council	6,156	

Legal Services in the matter BLM vs T Ndlovu without following a competitive bidding process in terms of Section 19 of the SCM Policy	Reported to Council	88,405	
Legal services rendered in various matters without following a competitive bidding process	Reported to Council	54,538	
The procurement of forensic investigation services without complying with Section 19 of the SCM Policy or the Regulations on Financial Misconduct from DE SWART VOGEL MYAMBO ATTORNEYS.	Reported to Council	464,836	
The Project Manager failed to ensure that the service provider, Shorts Nissan, adhere to the terms of the contract by sub-contracting works. Also that the Project Manager failed to ensure that the service provider only provide parts from an OEM and only added the mark-up to any price that the BLM might have paid if we had direct dealings with such an OEM.	Reported to Council	11,617	
Procurement of learnership programme from a sole accredited service provider in terms of Section 17 & 18 of the Policy before applying to deviate from the requirements of the SCM policy, as well as implementing a contract signed by an official (P Sebezo) not duly delegated	Reported to Council	68,566	
Lease agreement for the Green Valley TV transmission tower equipment without following a competitive bidding process.	Reported to Council	17,800	
Procurement of funeral services for a private individual who was neither a pauper nor registered as an indigent	Reported to Council	3,000	
Procurement of Newspaper publication services for publication of a Municipal Notice, via a single quotation. In terms of Section 16(2) of the SCM Policy the procurement required 3 quotations. Quotations were only sourced from a single potential service provider	Reported to Council	2,869	
Procurement of Newspaper publication services for publication of a Municipal Notice, via a single quotation. In terms of Section 16(2) of the SCM Policy the procurement required 3 quotations. Quotations were only sourced from a single potential service provider	Reported to Council	3,398	
Procurement of Newspaper publication services for publication of a Municipal Notice, via a single quotation. In terms of Section 16(2) of the SCM Policy the procurement required 3 quotations. Quotations were only sourced from a single potential service provider	Reported to Council	2,600	
The procurement of Catering Services for Youth Day, 18 June 2018. The project manager selected the services of more than one service provider and exceeded the total maximum cost for the type of procurement of R 30 000. Quotations were solicited directly from potential service providers. The RFQ was not advertised on the Notice Board and Website for a minimum of 7 days as required	Reported to Council	51,900	
Procurement of Newspaper publication services for publication of a Municipal Notice, via a single quotation. In terms of Section 16(2) of the SCM Policy the procurement required 3 quotations. Quotations were only sourced from a single potential service provider	Reported to Council	2,460	
Repairs of the waste compactor equipment without obtaining at least 3 quotations or applying to deviate from the requirements of the SCM Policy	Reported to Council	19,455	
The Project Manager failed to ensure that the service provider, Shorts Nissan, adhere to the terms of the contract by sub-contracting works. Also that the Project Manager failed to ensure that the service provider only provide parts from an OEM and only added the mark-up to any price that the BLM might have paid if we had direct dealings with such an OEM.	Reported to Council	764	

Procurement of Telemetry Services outside the terms of the contract with no approval for the extension of the contract on record	Reported to Council	816,965	
Procurement of Training services without obtaining at least 3 quotations and failing to advertise requirement on the notice board or website for at least 7 days. In addition award was not made applying the 80/20 Preferential Procurement Principle	Reported to Council	46,854	
Procurement of additional services at Mayoral Strategic Planning Event without obtaining quotations	Reported to Council	4,685	
Procurement of Gift Bags for June 16 without obtaining at least 3 quotations as required. 2 Quotations obtained and a 3rd after the event	Reported to Council	17,974	
Repair of a multi-functional office machine without obtaining 3 quotations	Reported to Council	4,630	
Procurement and payment for Catering at a Women Empowerment Workshop 26 July 2017. Event did not take place	Reported to Council	9,800	
Procurement of various legal books and literature without obtaining 3 quotations	Reported to Council	18,207	
Procurement of construction services without obtaining 3 quotations and failing to apply the contractors appointed for the purpose	Reported to Council	13,450	
Procurement of Aviation Fuel from BP in terms of a contract which was not validly procured in compliance with the SCM Policy.	Reported to Council	2,516,815	
Procurement from service providers who did not submit full declarations of disclosures as per SCM Regulation 13. Non-Compliance identified by the AG	Identified by the AG to be reported to Council	714,789	
The tender awarded to TMT was based on a fixed rate of R 77.90 per fine paid. The Project Manager allowed a Contract Price Adjustment, which was subsequently paid to TMT. Furthermore an additional Convenience Fee not included in the contract terms were also charged and paid to TMT.	Identified by the AG to be reported to Council	147,760	
Procurement from a service provider in the employee of the Btou Municipality. Ms C Ngemtu-Sonjani did not declare her shareholding before the transactions and subsequently misrepresented her shareholding in the company, Southern Ambitions1660 CC, by failing to disclose.	Identified by the AG to be reported to Council	3,870	
Procurement from a service provider in the employee of the Btou Municipality. Mr P Sebezo for Khula Africa did not declare his shareholding before the transactions and subsequently misrepresented his shareholding in the company by failing to disclose.	Identified by the AG to be reported to Council	17,500	
Procurement from service providers where the requirements were split in order to avoid the Formal Written Price Quotations which require advertisement of at least 7 days on the Website and Notice Boards.	Identified by the AG to be reported to Council	211,035	
The RFQ SCM/2018/59/FIN for the Review of the AFS was evaluation and recommendation was performed without confirming the quoted amount on the RFQ Submission of R 19 152 Including VAT @ 14%. The final award and payment was made R 21 833.28 Including VAT @14%. The discrepancy of R 2681.28, between the quotation submission and the final award was neither identified by the Project Manager (The Senior Audit Executive) who reviewed the technical evaluation report, nor the SCM Manager who was to confirm and recommend to the Accounting Officer. The contract was drafted and signed subsequently based award letter the without verifying the amount. The service provider did not inform the Municipality of the discrepancy.	Identified by the AG to be reported to Council	2,681	
Awards made to service / providers based on the Preferential Points calculation excluding VAT in contravention of the definition of "price" requirements of the Preferential Procurement Regulations, 2017	Identified by the AG to be reported to Council	234,847	

Award to service provider MM Entertainment deemed to be irregular as the specifications were purportedly changed subsequent to the award by the Project Manager	Identified by the AG to be reported to Council	29,900	
An award to M van der Merwe t/a Etsha - SCM/2018/171/STRAT to the value of R129 870 was approved even though it did not meet the pre-qualification requirements as stipulated in the tender documents.	Identified by the AG to be reported to Council	128,425	
The Bitou Municipality procured the Collaborator Foundation System in terms of a transversal procurement arrangement via the Eden District Municipality (EDM). The agreement with the EDM was duly procured in terms of the EDM SCM Policy, but only for the provision of the software and licensing of the system from Business Engineering (BE). The agreement did not include continuous system support services. The Administration Section requires the continuous development of the System, in-line with the BLM policies and procedures and need on-site support from the service provider BE. BE is the developer and service provider of the system and does not allow access to other service providers on their proprietary system. However, the Project Manager, will be embarking on a procurement process in order to test the market. Until such time as a service provider have been appointed appropriately, it is deemed impractical for the BLM to procure the services in terms of an approved procurement process for the period July to December 2017. Unfortunately the final quantified deviation was only approved after expenditure have already being incurred. Accordingly, the deviation have now been re-classified as Irregular Expenditure.	Identified by the AG to be reported to Council	285,126	
The urgent appointment of armed close-protection service provider for the Executive Mayor for July and August 2017 after overt threats. He appointment was for 2 months and was disclosed as Irregular Expenditure from 01 September to 08 December 2017 Unfortunately the final quantified deviation was only approved after expenditure have already being incurred. Accordingly, the deviation have now been re-classified as Irregular Expenditure.	Identified by the AG to be reported to Council	184,680	
During recent fires of 18th May 2018 at Craggs, Kurland, KwaNokuthula and Bossiesgeef/Qolweni areas, 66 shacks has been burned down. The affected families are currently homeless and immediate assistance is required to assist. Therefore the immediate supply of shack material to assist these families is required. There is adequate funding available for this procurement. Unfortunately the final quantified deviation was only approved after expenditure have already being incurred. Accordingly, the deviation have now been re-classified as Irregular Expenditure.	Identified by the AG to be reported to Council	291,810	
SCM/2018/186/COMM. According to the AG the pre-qualifying criteria of "Supplier must have at least performed 3 comparable projects" could have prevented other interested suppliers from submitting their quotes. Information on a supplier's own website is untested and should not be used to verify information to support pre-qualifying criteria without further substantiation. Evidence of this verification was also not included in the supporting evidence provided to audit to substantiate the award.	Identified by the AG to be reported to Council	114,998	
Construction of Kranshoek Bulk Water Supply Pipeline Phase 1a Partion 1 - SCM/2018/11/ENG. Composition of BAC not in-line with SCM Policy requirement according to the AG	Identified by the AG to be reported to Council	4,574,654	
Remuneration of Councillors found to have exceeded the Upper Limits in terms of the Government Gazette & Council Resolution	Identified by the AG to be reported to Council	52,018	

16,714,207

16,781,473

47.04 Material Losses

Water distribution losses

- Kilo litres disinfected/purified/purchased
- Kilo litres lost during distribution
- Percentage lost during distribution

Electricity distribution losses

- Units purchased (Kwh)
- Units lost during distribution (Kwh)
- Percentage lost during distribution

	2018	2017
- Kilo litres disinfected/purified/purchased	3,218,167	3,103,467
- Kilo litres lost during distribution	685,636	235,958
- Percentage lost during distribution	21.31%	7.60%
- Units purchased (Kwh)	108,499,143	105,430,932
- Units lost during distribution (Kwh)	14,303,874	8,399,794
- Percentage lost during distribution	13.18%	7.97%

		2018 R	2017 R
48	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
48.01	<u>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</u>		
	Council subscriptions	2,004,658	1,894,889
	Amount paid - current year	(2,004,658)	(1,894,889)
	Balance unpaid (included in creditors)	-	-
48.02	<u>Audit fees - [MFMA 125 (1)(c)]</u>		
	Opening balance	-	-
	Current year audit fee	2,398,201	2,158,288
	External Audit - Auditor-General	2,398,201	2,158,288
	Amount paid - current year	(2,398,201)	(2,158,288)
	Balance unpaid (included in creditors)	-	-
48.03	<u>VAT - [MFMA 125 (1)(b)]</u>		
	Vat in suspense	9,746,742	4,297,914
	Receivable/Payable	9,746,742	4,297,914
	VAT is payable/receivable on the receipt basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.		
		2018 R	2017 R
48.04	<u>PAYE, SDL and UIF - [MFMA 125 (1)(c)]</u>		
	Opening Balance		-
	Current year payroll deductions and Council Contributions	27,479,076	25,889,561
	Amount paid - current year	(27,479,076)	(25,889,561)
	Balance unpaid (included in creditors)	-	-
48.05	<u>Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]</u>		
	Opening balance	-	
	Current year payroll deductions and Council Contributions	51,184,991	45,879,514
	Amount paid - current year	(51,184,991)	(45,879,514)
	Balance unpaid (included in creditors)	-	-
48.06	<u>Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]</u>		
	Councillors with arrear accounts for more than 90 days as at 30 June		
		2018 R Outstanding more than 90 days	2017 R Outstanding more than 90 days
	None	-	-
	Total Councillor Arrear Consumer Accounts	-	-

48.07 Deviations from SCM processes in terms of section (36)(2) of the SCM Regulations

2018
R

2017
R

Deviations from, and ratifications of breaches of the Procurement Processes due to Specialised Services, Advertising, Accommodation, Sole Suppliers, Emergencies, Breakdowns, Strip and Quotes are recorded. All the deviations were ratified by the Municipal Manager and reported to Council

Section from SCM Policy	Categories	2018 R	2017 R
36(1)(a)(i)	In an emergency which is considered an unforeseeable and sudden event with materially harmful or potentially materially harmful consequences for the municipality which requires urgent action to address	-	1,217,620
36(1)(a)(ii)	Where it can be demonstrated that goods or services are produced or available from a single provider only	124,734	3,105,099
36(1)(a)(iii)	For the acquisition of special works of art or historical objects where specifications are difficult to compile	-	-
36(1)(a)(v)	Exceptional case and it is impractical or impossible to follow the official procurement processes	3,170,401	4,332,382
Total		3,295,135	8,655,101

Minor Breaches from SCM processes in terms of Regulation 36(1) of the SCM Regulations

Section 36(1)(b) Ratification of Minor Breach of tender invitation not duly including requirement ' for Minimum Local Content

3,417,977 -

Awards above R2000 to spouses, child, parent of a person in service of the state (Section 45 of the Supply Management Policy).

48.08

Company	Spouse	State Organ	Designation	Amount R
Buchumile General Trading	Spouse	SIJAMA. J	Bitou Mun	Public Officer 19,860
Sidomela Trading Enterprise CC	Spouse	NGQOLEKA. TW	Bitou Mun	General Worker 38,838
Biso (Pty) Ltd	Spouse	NCAME .DJ	Bitou Mun	Manager 58,970
Shelfplett 40 T/A Isolomzi Security Services	Spouse	YONN. LB	SAP	Officer 10,511,834
Total				10,629,502

49

Commitments in respect of capital expenditure:

Asset class

2018
R

2017
R

Approved and contracted for:

19,254,400 **12,741,388**

Total commitments consist out of the following:

Tender SCM/MSID 57/2014	Water Supply Infrastructure		1,958,627
SCM/2017/39/ENG	Electrical Infrastructure		854,538
SCM/2017/52/ENG	Sanitation Infrastructure		2,293,590
SCM/2017/59/ENG	Water Supply Infrastructure		436,156
SCM/2017/63/ENG	Other Assets		1,430,215
SCM/2017/91/ENG	Community Assets		2,274,246
SCM/2017/95/FIN	Roads Infrastructure		903,298
SCM/2017/111/STRAT	Water Supply Infrastructure		2,590,719
SCM/2018/02/ENG	Roads Infrastructure	1,015,352	
SCM/2018/11/ENG	Water Supply Infrastructure	809,995	
SCM/2018/14/ENG	Roads Infrastructure	4,854,098	
SCM/2018/40/ENG	Sanitation Infrastructure	623,798	
SCM/2018/55/ENG	Sanitation Infrastructure	3,146,970	
SCM/2018/79/ENG	Water Supply Infrastructure	1,968,292	
SCM/2018/93/ENG	Community Assets	121,776	
SCM/2018/149/ENG	Sanitation Infrastructure	2,590,992	
SCM/2018/176/ENG	Libraries	468,004	
SCM/2018/27/COMM	Community Assets	3,655,123	
Total		19,254,400	12,741,388

This expenditure will be financed from:

19,254,400 **12,741,388**

Government Grants and Subsidies
External Loans
Own Funds

2018 R	2017 R
6,572,272	854,538
4,975,874	5,663,088
7,706,253	6,223,763
19,254,400	12,741,388

FINANCIAL RISK MANAGEMENT

50

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

Sensitivity Analysis

0.5% Increase in interest rates

(170,162)

(130,153)

0.5% Decrease in interest rates

170,162

130,153

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 20 and 21 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

Balances past due not impaired:

	2018 %	2018 R	2017 %	2017 R
Non-Exchange Receivables				
Rates and Other Sundry Debtors	23.54%	3,839,114	48.49%	7,652,075
Traffic Fines	76.46%	12,472,035	51.51%	8,129,972
	100.00%	16,311,149	100.00%	15,782,047
Exchange Receivables				
Electricity	32%	2,217,731	35.83%	4,178,656
Water	0%	-	30.70%	3,579,847
Sewerage	0%	-	7.21%	841,185
Sundries	67%	4,704,305	26.31%	3,068,350
Refuse Removal	0%	-	-0.37%	(42,576)
Housing Rentals	1%	96,208	0.31%	35,983
	100%	7,018,244	100.00%	11,661,445

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 20 and 21 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime borrowing rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2018 %	2018 R	2017 %	2017 R
<u>Non-Exchange Receivables</u>				
Rates	19.27%	22,282,397	12.60%	9,485,589
Other	0.00%	-	0.00%	-
Traffic Fines	80.73%	93,335,796	87.40%	65,778,864
	100.00%	115,618,193	100.00%	75,264,453
<u>Exchange Receivables</u>				
Electricity	6.51%	5,816,886	5.17%	3,253,205
Water	27.52%	24,594,500	34.86%	21,923,300
Refuse	23.65%	21,138,269	21.97%	13,818,102
Sewerage	38.05%	34,008,785	33.52%	21,080,251
Other	3.46%	3,093,859	3.34%	2,098,576
Housing Rentals	0.81%	721,560	1.15%	721,560
	100.00%	89,373,859	100.00%	62,894,994

The entity only deposits cash with major banks with high quality credit standing. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity only enters into non-current investment transactions with major banks with high quality credit standing. An investment to the value of R6 852 559 is held as security for a loan raised with DBSA. Although the credit risk pertaining to non-current investments are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE . The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

	2018 R	2017 R
Financial assets maximum exposure to credit risk at year end is as follows:		
Receivables from exchange transactions	33,575,488	34,286,137
Receivables from non-exchange transactions	25,903,907	22,893,791
Cash and Cash Equivalents	140,813,192	126,055,319
Investments	6,852,559	6,102,365
Unpaid conditional grants and subsidies	-	14,480,577
Long-term Receivables	8,720	11,248
	207,153,867	203,829,436

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

2018	Less than 1 year	Between 1 and 5	Between 5 and 10	Over 10 Years
	R	years R	years R	R
Long Term liabilities	37,286,793	145,546,802	56,082,321	-
Capital repayments	20,543,234	94,296,117	46,468,577	
Interest	16,743,559	51,250,685	9,613,744	
Trade and Other Payables	62,746,444	-	-	-
Unspent conditional government grants and receipts	2,120,348	-	-	-
	102,153,585	145,546,802	56,082,321	-

2017	Less than 1 year	Between 1 and 5	Between 5 and 10	Over 10 Years
	R	years R	years R	R
Long Term liabilities	34,067,415	115,302,279	71,224,735	3,350,140
Capital repayments	18,536,418	71,347,368	55,537,222	3,103,395
Interest	15,530,997	43,954,911	15,687,513	246,745
Trade and Other Payables	58,777,465	-	-	-
Unspent conditional government grants and receipts	2,461,793	-	-	-
	95,306,673	115,302,279	71,224,735	3,350,140

51

In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

The fair value of financial instruments approximates the amortised costs as reflected below.

51.01	Financial Assets	Classification	2018	2017
			R	R
	Long-Term Receivables			
	House Loans	Financial instruments at amortised cost	8,720	11,248
	Receivables			
	Receivables from exchange transactions	Financial instruments at amortised cost	33,575,488	34,286,137
	Current Portion of Long-Term Receivables			
	Housing Loans		3,442	3,921
	Short-term Investment Deposits			
	Call Deposits	Financial instruments at amortised cost	81,314,177	53,010,079

Bank Balances and Cash		2018	2017
		R	R
Bank Balances	Financial instruments at amortised cost	59,483,835	73,033,220
Cash Floats and Advances	Financial instruments at amortised cost	15,180	12,020
Investments	Financial instruments at amortised cost	6,852,559	6,102,365
		181,253,401	166,458,989
SUMMARY OF FINANCIAL ASSETS			
Financial instruments at amortised cost		181,253,401	166,458,989
At amortised cost		181,253,401	166,458,989
FINANCIAL INSTRUMENTS (CONTINUE)			
51.02	Financial Liability	Classification	
Long-term Liabilities			
Annuity Loans	Financial instruments at amortised cost	140,690,864	129,987,984
Payables from exchange transactions			
Trade creditors	Financial instruments at amortised cost	49,713,908	50,431,350
Other	Financial instruments at amortised cost	13,032,536	8,346,115
Current Portion of Long-term Liabilities			
Annuity Loans	Financial instruments at amortised cost	20,543,234	16,573,715
Capitalised Lease Liability	Financial instruments at amortised cost	-	1,962,703
		223,980,542	207,301,868
SUMMARY OF FINANCIAL LIABILITY			
Financial instruments at amortised cost		223,980,542	207,301,868
52	STATUTORY RECEIVABLES		
In accordance with the principles of GRAP 108, Statutory Receivables are classified as follows :			
Taxes			
Vat receivable		9,746,742	4,297,914
Receivables from Non Exchange Transactions			
Rates		13,193,742	14,424,455
Fines		12,472,035	8,129,972
53	EVENTS AFTER THE REPORTING DATE		
No events or circumstances arising after the reporting date have come to the attention of management that would require adjustments to or disclosure in the financial statements.			
54	IN-KIND DONATIONS AND ASSISTANCE		
None			
55	PRIVATE PUBLIC PARTNERSHIPS		
Council has not entered into any private public partnerships during the financial year.			

56	CONTINGENT LIABILITIES	2018
		R
	SANET DIXON AND OTHERS	
	A High Court application was launched by the applicant to claim damages against the municipality. The municipality is opposing the application. If the municipality should lose the case, the legal cost of the plaintiff of approximately R 400 000 must be paid by the municipality. The claim against Bitou Municipality is to the amount of R 4 565 000.	4,965,000
	JAMES LOOCKE AND VARIOUS OTHERS	
	The Applicants filed an application for review under case no 6803/2017 at the High Court. They claim for the building plan approvals to be set aside for erf 1600. In addition, they ask that the building be demolished partially or entirely amounting to R 800 000 and also estimated leagal cost R 90 000.	890,000
	RENTWORKS AFRICA PTY LTD	
	A High Court application was lodged by the applicant to claim damages for breach of contract. The municipality is opposing the application. In the event that the municipality should lose the case, legal cost of the plaintiff of approximately R250 000 must be paid by the municipality. The Plaintiff alleged that they are entitled to R 7 737 683.79.	7,987,684
	MAJOR GENERAL TRADING CC	
	The municipality is the plaintiff against the respondent who has provided professional services by submitting VAT claims to SARS on behalf of the Municipality. SARS assessment indicated that these claims were invalid and the claims had been disallowed. The Municipality now claim the amount from the service provider due to their negligent and reckless behaviour which causes the Municipalities damages.	300,000
	MOHLALENG MEDIA	
	This company has taken legal action against Bitou Municipality for alleged services provided, but not paid yet. Should the case go for Arbitration the estimated costs is R 170 000. The claimed amount is R 650 000.	820,000
	CYCO SALES (PTY) LTD	
	Bitou lodged an application to demolish the building and have finally obtained an Order in the High Court to demolish the building. The First Respondent did not comply with the Order, thus the Municipality must now demolish the building and recover the cost from the First Respondent. The Legal cost to assist the Municipality to carry out the court order would not exceed R15 000. The estimated cost to demolish the building is R 3 500 000.	3,515,000
	HENRIETTE MARIE HENDRICKS	
	Public liability claim against Bitou Municipality for damages R 2 723 800.This matter is been covered bythe municipalities insurers and their attorneys have taken over the matter. Should the Insurer not settle the claim, Bitou Municipality might be liable for the claimed amount.	2,723,800
	TENIQUA WILDFIRE REHABILITATION AND AWARENESS	
	The Plaintiff issued summons against Bitou Municipality regarding an awarded tender for the maintenance and repair of a specified road, in the Regional Court. Should the case go to trial, the legal cost is estimated at R 100 000. The plaintiff is suing for R 286 400.	386,400
	PLOVER'S NEST INVESTMENTS (PTY) LTD	
	A High Court application was launched by the applicant to set aside a decision of the Municipal Council regarding the license for the waste transfer station. The legal costs is estimated at R 150 000	150,000
	LULAMILE KLAAS	
	The Plaintiff has lodged an Appeal, at the Labour Court, against the decision for dismissal by the Bargaining Council. The Legal cost is estimated at R 50 000	50,000
	JOHANNES PETRUS MARAIS & OTHERS	
	Bitou Municipality has taken legal action against the Defendant for augmentation levies, accrued interest and legal cost regarding a sectional title scheme. The legal cost is estimated at R 350 000 should the municipality not be successful.	350,000
	LD MULCKHUYSE	
	Litigation was launced by the applicant for the review of the Valuation Appeal Board Decision regarding the valuation of the applicant's property. The Legal cost is estimated at R 250 000.	250,000
	GODFREY WINDVOGEL	
	Bitou Municipality has taken action for eviction of a previous employee from a municipal house (PIE Application). The current legal cost is to the value of R 17 455.07.	17,455
	ERF 437	
	Bitou Municipality has taken action for the eviction of portion 40 of the Farm Hillview due to positioning of house, with regards to the Waste transfer station and safety of the occupants.	8,000

57 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

57.01 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

57.02 Compensation of key management personnel

The compensation of key management personnel is set out in note 30 to the Annual Financial Statements.

57.03 Related party transactions

Councillors	Rates and Services Levied 1 July- 30 June R	Outstanding Balances 30 June 2018 R
<i>Councillor M.P. Lobese</i>	22,550	3,463
<i>Councillor J Kam Kam</i>	10,261	861
<i>Councillor A.R. Olivier</i>	10,261	861
<i>Councillor W.J. Nel</i>	20,399	1,781
<i>Councillor N.S. Ndayi</i>	10,261	861
<i>Councillor E.V Wildeman</i>	39,922	16
<i>Councillor S E Gcabayi</i>	7,215	605
<i>Councillor M.Booyesen</i>	4,969	5,529
<i>Councillor M. M. Mbali</i>	14,291	39,837
<i>Councillor N.C Jacob</i>	7,215	605
<i>Councillor A R Olivier</i>	-	-
<i>Councillor L. M. Seyisi</i>	-	-
<i>Councillor AS Windvogel</i>	10,261	861
<i>Councillor D Swarts</i>	11,663	972
<i>Councillor X Matyila</i>	8,230	608
<i>DJ Friedman</i>	24,907	1,807

57.04 Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest:

Company	Description	Relation	Name	Designation	Amount R
BITOU MUNICIPAL SPORT COUNCIL	GRANT	<u>Director</u>	<u>WINDVOGEL J</u>	SCM PRACTITIONER	938,886
EMAWUSHENI CONSTRUCTION	CATERING	<u>Sister</u>	<u>SIKO M</u>	PROPERTY OFFICER	150,488
EMAWUSHENI CONSTRUCTION	CATERING	<u>Sister in Law</u>	<u>SIKO G</u>	ACCOUNTANT: REVENUE SERVICES	150,488
K2016450046 T/A Vision Projects	CLEARING	<u>Sister</u>	<u>GANGA S</u>	CHIEF: TRAFFIC SERVICES	195,487
SHEKYNAH PROJECTS	CATERING	<u>Brother in Law</u>	<u>GANGA S</u>	CHIEF: TRAFFIC SERVICES	643,809
PIKAS TOURS	TRAVEL	<u>Brother</u>	<u>PIKA J</u>	SPORTS DEVELOPMENT OFFICER	14,780
THE POTTERS HOUSE	CATERING	<u>Sister in Law</u>	<u>PIKA J</u>	SPORTS DEVELOPMENT OFFICER	3,574
THE POTTERS HOUSE	CATERING	<u>Director</u>	<u>PIKA A</u>	PART TIME	3,574
BUCHUMILE GENERAL TRADING	WASTE	<u>Spouse</u>	<u>SIJAMA J</u>	PUBLIC PARTICIPATION OFFICER	19,860
SIDOMELA TRADING ENTERPRISE CC	CONSTRUCTION	<u>Spouse</u>	<u>NGQOLEKA TW</u>	GENERAL WORKER	38,838
BISO (Pty) Ltd	CATERING	<u>Spouse</u>	<u>NCAME DI</u>	MANAGER	58,970
NANDI BULABULA	LEGAL SERVICE: Audit Committee		BULABULA N	AUDIT COMMITTEE MEMBER	447,601

58 Material variances between original and final budget

58.1 Statement of Financial Position

Ref.

C1	Initial Current Assets position was overestimated and therefore corrected in the adjustment budget
C2	No Material Variance
C3	This adjustment was done due to the raising new loans, causing us to adjust accordingly
C4	No Material Variance

58.2 Statement of Financial Performance

Revenue :

Ref.

C5 No Material Variance

C6 No Material Variance

C7 The revenue anticipated on the lease of municipal properties was initially underestimated and adjusted.

C8 No Material Variance

C9 The Original anticipated Revenue for Sales of Goods and Rendering of Services was overestimated due to past trends and was adjusted to rectify it

Expenditure :

Ref.

C10 No Material Variance

C11 No Material Variance

C12 The Operational Cost was overestimated due to Inventory Consumed and Contracted services being included under one budget. The budget was adjusted to rectify the changes

C13 The Contracted Services was underestimated and rectified to accommodate for the MSCOA classification for items. The budget was adjusted to rectify the changes

C14 Inventory consumed was underestimated and rectified to accommodate for the MSCOA classification for items. The budget was adjusted to rectify the changes

C15 No Material Variance

58.3 Cash flow

Ref.

Cash from Operating Activities:

C16 No Material Variance

Cash from Investing activities:

C17 Increase was mainly due to Disaster relief funds that was Gazetted

Cash from Financing Activities:

C18 No Material Variance

58.4 Capital Expenditure

Ref.

C19 Increase was mainly due to Disaster relief funds that was Gazetted and thus adjusted the figure upwards

Material variances between actual amounts and the final budget

59

59.1 Statement of Financial Position

Ref.

C1 Due to positive cash flow the municipality investing more which increase Cash and Cash Equivalents

C2 Lower Capital expenditure and more provision for depreciation as intisipated.

C3 Due to the impact of Trade and other Payables provision which was more than antisipated

C4 Due to the taking up of new loans our long term borrowing actuals increased

59.2 Statement of Financial Performance

Revenue :

Ref.

C5 Due to the purchase of 2 new cameras and placement thereof, it caused a spike in the fines income

C6 Due to an unexpected decrease in Electricity and Water sales due to drought and high energy cost.

C7 Due to rental contracts that did not realized.

C8 Fines recovered was unexpected. Service provider recovering fines older than 18 months

C9 No Material Variance

Expenditure :

Ref.

C10 Due to the delay in appointment of key personnel and resignations of staff members

C11 Fines expiring in 2018 and the writing off of non collection of rates were more than expected

C12 The Operational Cost was overestimated due to Inventory Consumed and Contracted services being included under one budget. That led to underperformance.

C13 The Contracted Services was under-estimated and rectified to accommodate for the MSCOA classification for items. That led to underperformance.

C14 No Material Variance

C15 Due to the increase in fines issued it was accompanied with provision for impairment due to a poor collection rate in terms of iGRAP 1

59.3 Cash flow

Ref.

Cash from Operating Activities:

C16 Mainly due to stricter measures put in place in order to prevent unnecessary Operating Expenditure.

Cash from Investing activities:

C17 The variance is due to a reduction in MIG funding

Cash from Financing Activities:

C18 The Repayment of Loans was more than anticipated in the Budget.

59.4 Capital Expenditure

Ref.

C19 The variance is due to a reduction in MIG funding

**APPENDIX A - Unaudited
BITOU LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2018**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2017	Correction of errors	Balance at 30 JUNE 2017 Restated	Received during the period	Redeemed/ written off during the period	Balance at 30 JUNE 2018
ANNUITY LOANS									
Development Bank	10.95%		31/12/2019	925,000	-	925,000	-	370,000	555,000
Development Bank	11.24%		31/12/2020	1,377,895	-	1,377,895	-	393,684	984,211
Development Bank	16.00%		31/12/2022	4,532,000	-	4,532,000	-	824,000	3,708,000
Development Bank	10.64%		30/06/2029	22,157,886	-	22,157,886	-	948,753	21,209,133
Development Bank	10.72%		30/06/2024	1,858,275	-	1,858,275	-	186,762	1,671,514
Standard Bank	10.56%		30/06/2020	1,229,790	-	1,229,790	-	365,470	864,320
Standard Bank	11.45%		30/06/2025	15,101,656	-	15,101,656	-	1,238,442	13,863,214
Standard Bank	11.26%		30/06/2021	8,798,929	-	8,798,929	-	1,859,082	6,939,847
Standard Bank	10.71%		31/12/2021	8,683,250	-	8,683,250	-	1,593,970	7,089,280
Standard Bank	10.86%		31/12/2021	8,404,366	-	8,404,366	-	1,538,576	6,865,791
Standard Bank	10.94%		30/06/2023	8,815,460	-	8,815,460	-	1,107,332	7,708,128
Standard Bank	10.00%		30/06/2018	268,206	-	268,206	-	268,206	0
Standard Bank	11.43%		30/06/2024	9,701,535	-	9,701,535	-	972,279	8,729,256
Standard Bank	11.12%		30/06/2019	2,051,733	-	2,051,733	-	970,812	1,080,921
Nedbank	11.81%		30/06/2025	8,829,837	-	8,829,837	30,873,552	708,658	8,121,179
Nedbank	10.54%		30/06/2028	18,827,689	-	18,827,689	-	1,343,295	30,873,552
Absa	10.36%		30/06/2026	24,998,191	-	24,998,191	-	1,511,832	17,484,394
Absa	10.04%		2017/2027		-				23,486,359
Total Annuity Loans				146,561,701	-	146,561,701	30,873,552	16,201,153	161,234,100
LEASE LIABILITY									
Finance Leases				1,962,703		1,962,703		1,962,703	0
Total Lease Liabilities				1,962,703	-	1,962,703	-	1,962,703	0
TOTAL EXTERNAL LOANS				148,524,403	-	148,524,403	30,873,552	18,163,856	161,234,099

APPENDIX B - Unaudited
BITOU LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018
MUNICIPAL- VOTES CLASSIFICATION

2017 Actual Income R	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R	2018 Budget Income R	2018 Actual Income R	2015 Budget Expenditure R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R
(144,789,741)	151,555,428	6,765,687	(126,629,359)	(151,114,473)	161,272,934	200,661,178	49,546,705
(317,150)	32,145,463	31,828,313	(39,696,629)	(32,597,090)	37,699,240	30,919,798	(1,677,292)
(2,499,000)	6,193,558	3,694,558	(2,961,560)	(2,979,019)	6,887,708	6,536,140	3,557,122
(141,817,277)	49,116,949	(92,700,328)	(140,806,203)	(145,640,188)	59,971,144	58,900,871	(86,739,317)
(8,318,198)	27,985,191	19,666,993	(3,968,840)	(3,939,234)	34,892,761	27,549,422	23,610,188
(30,197,727)	34,401,809	4,204,082	(107,830)	(188,314)	24,427,224	22,476,252	22,287,938
(289,005,530)	228,983,791	(60,021,739)	(350,450,784)	(335,093,688)	247,182,298	261,666,220	(73,427,468)
(616,944,623)	530,382,188	(86,562,434)	(664,621,205)	(671,552,006)	572,333,309	608,709,882	(62,842,124)
			46,801,480	10,542,580	(46,801,480)	(10,542,580)	
			(617,819,725)	(661,009,426)	525,531,829	598,167,302	(62,842,124)
				106.99%		113.82%	

**APPENDIX B (1)- Unaudited
BITOU LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018
MUNICIPAL SUB- VOTES CLASSIFICATION**

2017 Actual Revenue R	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R	2018 Budget Revenue R	2018 Actual Revenue R	2015 Budget Expenditure R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R
(28,259,903)	13,404,736	(14,855,167)	(39,064,859)	(31,763,352)	2,758,714	2,214,861	(29,548,490)
-	6,733,237	6,733,237	-	-	7,871,639	6,594,682	6,594,682
(3,493,220)	3,680,420	187,199	(3,180,451)	(3,789,968)	4,520,730	4,730,048	940,080
(1,695,000)	9,526,360	7,831,360	-	-	-	-	-
-	-	-	(1,880,000)	(1,880,000)	12,617,837	8,180,433	6,300,433
(2,554,625)	2,860,728	306,103	(2,065,880)	(3,001,470)	3,504,100	2,873,009	(128,461)
-	2,746,352	2,746,352	-	-	4,548,501	2,996,622	2,996,622
-	1,940,494	1,940,494	-	-	4,068,229	4,261,935	4,261,935
-	71,418	71,418	-	-	101,960	21,824	21,824
(949,620)	2,323,693	1,374,073	(1,125,393)	(1,125,783)	3,032,892	3,331,814	2,206,031
(152,633,556)	127,063,463	(25,570,093)	(178,790,366)	(157,275,959)	138,748,001	137,305,752	(19,970,207)
-	-	-	-	-	-	-	-
-	4,709,416	4,709,416	-	-	5,515,483	4,630,478	4,630,478
(137,792)	5,567,186	5,429,395	-	(744,669)	13,457,122	11,632,449	10,887,780
-	1,857,590	1,857,590	-	-	1,282,818	49,398	49,398
-	1,670,402	1,670,402	-	-	1,368,539	1,391,642	1,391,642
(18,828,362)	9,507,243	(9,321,119)	(8,501,560)	(12,303,972)	5,359,503	9,293,240	(3,010,733)
-	2,376,175	2,376,175	-	-	1,971,326	1,017,869	1,017,869
-	1,887,928	1,887,928	-	-	1,451,181	1,805,222	1,805,222
(317,150)	13,049,441	12,732,291	(631,770)	(833,738)	14,892,079	12,066,830	11,233,092
(67,525,679)	25,758,280	(41,767,399)	(40,405,190)	(32,738,996)	31,982,590	28,893,959	(3,845,037)
-	1,551,206	1,551,206	-	-	1,873,827	1,774,331	1,774,331
(119,512)	7,807,291	7,687,779	-	(7,398)	13,006,417	10,137,872	10,130,474
-	539,108	539,108	-	-	2,463,977	938,428	938,428
-	3,234,802	3,234,802	-	-	4,571,492	3,734,293	3,734,293
-	6,005,537	6,005,537	-	-	6,259,768	5,655,161	5,655,161
(10,542,154)	9,731,752	(810,402)	(10,460,859)	(9,869,874)	12,096,684	10,392,403	522,529
-	2,921,280	2,921,280	-	-	3,881,787	3,144,348	3,144,348
(1,803,890)	2,404,632	600,741	(1,327,940)	(518,284)	6,621,833	4,714,938	4,196,654
-	2,643,651	2,643,651	-	-	1,885,928	2,303,336	2,303,336
-	560,498	560,498	-	-	627,292	471,539	471,539
(299,880)	586,071	286,191	(355,387)	(355,387)	671,420	633,799	278,412
(574,770)	1,130,816	556,046	(681,159)	(681,159)	1,124,960	1,321,839	640,680
-	-	-	-	-	481,900	593,580	593,580
(374,850)	1,484,973	1,110,123	(444,234)	(461,303)	1,385,328	1,185,219	723,916
-	3,669,882	3,669,882	-	-	2,593,101	3,927,662	3,927,662
(1,937,824)	11,448,738	9,510,913	(107,830)	(188,314)	15,376,703	12,510,961	12,322,647

2017 Actual Revenue R	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R	2018 Budget Revenue R	2018 Actual Revenue R	2015 Budget Expenditure R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R
(299,880)	668,005	368,125	(355,387)	(355,387)	673,108	63,471	(291,916)
(418,398)	9,198,019	8,779,621	(482,200)	(2,986,067)	9,496,364	9,439,179	6,453,112
(29,950)	227,687	197,738	(35,200)	(44,977)	1,572,786	561,243	516,265
-	1,429,493	1,429,493	-	-	1,431,048	1,425,355	1,425,355
(184,171)	6,074,264	6,074,264	-	-	8,889,934	10,881,388	10,881,388
-	2,554,326	2,370,156	(1,505,360)	(6,958)	3,744,356	3,037,228	3,030,270
-	1,636,525	1,636,525	-	-	1,237,881	1,526,614	1,526,614
-	17,473	17,473	-	-	5,837	1,238	1,238
-	1,604,317	1,604,317	-	-	2,094,694	1,956,249	1,956,249
-	163	163	-	-	42,500	7,264	7,264
(2,754,000)	3,019,736	265,736	(1,589,000)	(1,589,000)	2,983,553	3,050,288	1,461,288
-	5,912,347	5,912,347	(3,232,000)	(3,232,000)	9,334,368	6,573,303	3,341,303
(1,384,655)	11,036,163	9,651,508	(1,803,470)	(1,626,780)	12,338,426	12,239,991	10,613,211
-	17,593,188	17,593,188	-	-	16,935,289	18,814,127	18,814,127
-	2,043,848	2,043,848	-	-	2,278,023	2,141,484	2,141,484
(30,908,628)	32,958,189	2,049,561	(30,401,410)	(61,328,609)	22,635,361	57,231,599	(4,097,010)
(23,911)	10,354,814	10,330,904	(31,060)	(467,773)	12,492,073	9,186,694	8,718,921
-	83,004	83,004	-	-	127,046	71,178	71,178
(120,265,595)	1,515,332	(118,750,263)	(130,313,193)	(130,881,123)	5,514,199	13,337,840	(117,543,284)
(200,000)	19,449,831	19,249,831	-	-	26,754,392	28,032,919	28,032,919
(884,896)	4,981,572	4,096,676	(80,390)	(99,922)	4,609,334	3,569,774	3,469,852
-	5,774,988	5,774,988	-	-	6,690,916	5,541,269	5,541,269
(466,462)	5,282,057	4,815,594	(575,020)	(419,480)	8,244,186	5,137,976	4,718,496
(33,796,107)	29,456,102	(4,340,005)	(38,355,219)	(38,722,243)	26,762,415	35,035,227	(3,687,016)
-	3,226,553	3,226,553	-	-	1,356,343	2,737,278	2,737,278
(49,675,035)	10,732,406	(38,942,629)	(57,583,698)	(55,674,559)	14,611,597	25,371,569	(30,302,989)
(83,569,458)	15,283,994	(68,285,464)	(109,255,720)	(116,577,502)	21,808,500	33,624,272	(82,953,231)
(35,689)	35,812,993	35,777,304	-	-	13,693,119	11,382,093	11,382,093
(616,944,623)	530,382,188	(86,562,434)	-664,621,205	-671,552,006	572,333,309	608,709,882	-62,842,124
			46,801,480	10,542,580	(46,801,480)	(10,542,580)	
(616,944,623)	530,382,188	(86,562,434)	-617,819,725	(661,009,426)	525,531,829	598,167,302	(62,842,124)
				106.99%		113.82%	

APPENDIX C - Unaudited
BITOU LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2017 Actual Income R	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R	2018 Budget Income	2018 Actual Income R	2015 Budget Expenditure	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R
(10,756,274)	16,311,850	5,555,576	(12,001,419)	(9,921,809)	22,764,873	18,302,207	8,380,398
(152,633,556)	127,063,463	(25,570,093)	(178,790,366)	(157,275,959)	138,748,001	137,305,752	(19,970,207)
-	-	-	-	-	-	-	-
(4,436,824)	23,955,829	19,519,005	(3,069,390)	(3,167,333)	26,743,440	25,278,099	22,110,767
(172,336,011)	100,698,471	(71,637,540)	(181,830,772)	(179,500,231)	117,749,339	106,168,056	(73,332,175)
(67,525,679)	25,758,280	(41,767,399)	(40,405,190)	(32,738,996)	31,982,590	28,893,959	(3,845,037)
-	3,234,802	3,234,802	-	-	4,571,492	3,734,293	3,734,293
(3,021,088)	22,037,498	19,016,410	(5,872,900)	(6,652,950)	30,914,380	23,866,519	17,213,569
(1,384,655)	13,080,011	11,695,356	(1,803,470)	(1,626,780)	14,616,449	14,381,475	12,754,695
(33,862,628)	75,936,227	42,073,599	(31,990,410)	(62,917,609)	73,743,898	109,085,230	46,167,621
(418,398)	18,338,302	17,919,904	(482,200)	(2,986,067)	21,055,227	23,272,536	20,286,469
(33,796,107)	29,456,102	(4,340,005)	(38,355,219)	(38,722,243)	26,762,415	35,035,227	(3,687,016)
(49,675,035)	10,732,406	(38,942,629)	(57,583,698)	(55,674,559)	14,611,597	25,371,569	(30,302,989)
(83,605,147)	54,323,539	(29,281,607)	(109,255,720)	(116,577,502)	36,857,962	47,743,642	(68,833,860)
(3,493,220)	9,455,408	5,962,188	(3,180,451)	(3,789,968)	11,211,646	10,271,317	6,481,349
(616,944,623)	530,382,188	(86,562,434)	(664,621,205)	(671,552,006)	572,333,309	608,709,882	(62,842,124)
			46,801,480	10,542,580	(46,801,480)	(10,542,580)	
(616,944,623)	530,382,188	(86,562,434)	(617,819,725)	(661,009,426)	525,531,829	598,167,302	(62,842,124)
				106.99%		-113.82%	

APPENDIX D
BITOU LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2017	Correction of error	Balance 1 JULY 2017	Grants Received	Grants Adjustments	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2018
	R	R	R	R	R	R	R	R
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS								
<u>National Government Grants</u>								
Equitable Share	2,281,791	-	2,281,791	74,039,000	-	74,039,000	-	-
MIG Grant				25,458,000		-	27,739,791	-
National Electrification Programme				10,000,000		-	10,000,000	-
ACIP				-		-	-	-
Drought Relief Grant				-		-	-	-
Municipal Systems Improvement Grant				-		-	-	-
Financial Management Grant				1,550,000		1,550,000	-	-
Escom Demand Side Management (EDSM)				-		-	-	-
EPWP				2,232,000		2,232,000	-	-
National Disaster Management Grant				10,920,000		-	10,920,000	-
Total National Government Grants	2,281,791	-	2,281,791	124,199,000		77,821,000	48,659,791	-
<u>Provincial Government Grants</u>								
Financial Management Support Grant-mScoa				330,000		330,000	-	-
Local Government Graduate Intership Grant	60,000		60,000	66,000		50,976	-	75,024
Financial Management Capacity Grant	120,000		120,000	240,000		157,312	-	202,688
Financial Management Capacity Support Grant- Drought				1,800,000		1,000,000	1,800,000	-
Financial Management Support Grant- Drought				1,000,000		5,375	-	-
Community Development Workers				19,000		-	-	13,625
Libraries				1,800,000		1,800,000	-	-
Provincial Housing Grant	(14,480,576)		(14,480,576)	48,440,566		32,738,996	-	1,220,993
Proclaimed Roads Maintenance				1,589,000		1,589,000	-	-
Municipal Replacement Grant				8,605,000		7,440,244	556,740	608,015
LGSETA				345,084		345,084	-	-
Fire Services Capacity Building Grant				1,450,000		1,450,000	-	-
Total Provincial Government Grants	(14,300,576)	-	(14,300,576)	65,684,649		46,906,987	2,356,740	2,120,345

Grant Description	Balance 1 JULY 2017	Correction of error	Balance 1 JULY 2017	Grants Received	Grants Adjustments	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2018
<u>District Municipality Grants</u>								
Internal Audit		-	-				-	-
		-	-				-	-
Total District Municipality Grants		-	-					
TOTAL	(12,018,784)	-	(12,018,784)	189,883,649	-	124,727,987	51,016,531	2,120,348
<u>Public Grants</u>								
Social Responsibility- Public contribution for assets								
LED Strategy (IDC)			-	2,595,375		2,595,375		-
Upgrade Kwano Sportfield			-			-		-
Alien Vegetation (Std Bank)			-			-		-
Fire Disaster	272,196		272,196	8,170		280,366		(0)
SASSA			-			-		-
Total Other Grant Providers	272,196	-	272,196	2,603,545		2,875,741	-	(0)
Total	(11,746,588)	-	(11,746,588)	192,487,194	-	127,603,728	51,016,531	2,120,348